

NEW JERSEY. COMMISSION ON TAXATION OF  
INTANGIBLE PERSONAL PROPERTY.

Hearings...

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# HEARINGS

BEFORE THE

## New Jersey Commission on Taxation of Intangible Personal Property

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**ASSEMBLY CHAMBER, STATE HOUSE**

**TRENTON, N. J.**

**NOVEMBER 29-30, 1944**

STATE OF NEW JERSEY  
COMMISSION ON TAXATION OF INTANGIBLE  
PERSONAL PROPERTY

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**HEARINGS**

BEFORE THE

**New Jersey Commission on Taxation  
of Intangible Personal Property**

PURSUANT TO

**J. R. No. 4 (March 29, 1944)**

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**ASSEMBLY CHAMBER, STATE HOUSE  
TRENTON, N. J.**

**NOVEMBER 29-30, 1944**

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**TRENTON**

**1945**

NEW JERSEY COMMISSION ON TAXATION OF  
INTANGIBLE PERSONAL PROPERTY

[J. R. No. 4 (MARCH 29, 1944)]

JOHN F. SLY, *Chairman*  
*Professor of Politics, Princeton University*  
Princeton

Assemblyman JACOB S. GLICKENHAUS\*  
*Freeholder, Essex County*  
Newark

W. PAUL STILLMAN, *President*  
*National State Bank*  
Newark

NORMAN F. S. RUSSELL  
*President, United States Pipe and*  
*Foundry Company*  
Burlington

Senator DAVID VAN ALSTYNE, JR.  
*Senator, Bergen County*  
Englewood

STAFF MEMBERS

*Research Consultants*

JAMES A. ARNOLD, JR.

WILLIAM MILLER

*Secretary*

BARBARA L. M. SPROTT

\*Assemblyman, Essex County (1939-44)

STATE OF NEW JERSEY

JOINT RESOLUTION No. 4

[Laws (1944)]

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A JOINT RESOLUTION creating a commission to investigate the question of the valuation and taxation of intangible personal property and related tax subjects, and to prepare and recommend legislation in connection therewith.

BE IT RESOLVED *by the Senate and General Assembly of the State of New Jersey:*

1. There is hereby created a commission to investigate the question of the valuation and taxation of intangible personal property and related tax subjects.

2. The commission shall consist of five members to be named by the Governor, one of whom shall be a member of the State Senate and one a member of the House of Assembly, who are hereby empowered to undertake and complete the investigation authorized by this joint resolution.

3. The Governor shall designate one of the members to be chairman, and the Department of Law shall render such legal services as may be necessary. The commission may employ a secretary and such technical and clerical assistants as may be necessary. It may sit during the recess of the Legislature or after any adjournment thereof.

The commission may hold hearings in any part of the State and is empowered by its subpoena to compel the attendance of witnesses and the production of books, papers and records, and upon the completion of its said hearings shall embody its findings and recommendations in a report, with proposed legislation thereon, to the present or a succeeding session of the Legislature.

This joint resolution shall take effect immediately.

Approved March 29, 1944.

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STATE OF NEW JERSEY

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COMMISSION ON TAXATION OF INTANGIBLE PERSONAL PROPERTY

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WEDNESDAY, NOVEMBER 29, 1944

ASSEMBLY CHAMBER  
STATE HOUSE  
TRENTON, NEW JERSEY

The Commission met at 10:30 A. M., pursuant to notice, in the Assembly Chamber, State House, Trenton, New Jersey, Dr. John F. Sly (Chairman) presiding.

Present: Dr. John F. Sly (Chairman), Senator David Van Alstyne, Jr., Assemblyman Jacob S. Glickenhau, W. Paul Stillman.

Also present: James A. Arnold, Jr., and William Miller, research consultants to the Commission.

Absent: Norman F. S. Russell.

The CHAIRMAN: The meeting will come to order.

The Commission on Taxation of Intangible Personal Property was appointed by Governor Edge under authority of Senate Joint Resolution No. 4 (March 29, 1944), and was by the terms of this resolution directed to study the assessment and taxation of intangible personal property and related subjects and to recommend appropriate legislation to the 1945 Legislature.

The Commission has met frequently since April of this year. It has engaged in a thorough study of its own and has listened to numerous tax authorities and to interested groups and individuals.

The Commission wishes to make it plain that under the terms of Senate Joint Resolution No. 4 it is not charged with revenue-raising duties. It is not, therefore, engaged in financing public services or in providing funds for any specific purpose whatsoever. Any funds that might accrue to the State as the result of its studies (beyond such replacement revenues as might be appropriate) would be purely incidental to adjustments in the interests of

removing inequities from the State tax structure in the field of intangible personal property and related subjects.

Before coming to any definite decision, the Commission wishes to hear all interested persons and has accordingly arranged these public hearings. The Commission is grateful to those who have consented to come to Trenton today and tomorrow and give the Commission the benefit of their counsel and advice on this important subject.

The hearings that have been scheduled for today are as follows: This morning the Commission has arranged to hear the Committee on Taxation of the New Jersey Bankers Association; this afternoon at 1:30, the Committee of the Board of Assessors of the city of Elizabeth; at 2:30, the Personal Property Tax Committee of the New Jersey State Chamber of Commerce; at 3:00 o'clock, the President of the Hudson County Board of Taxation; and at 3:30, counsel for the Jersey City Chamber of Commerce. These are all of the scheduled hearings for today.

The Commission has had two documents filed with it, which the chair would like to introduce into the record at this time: A statement by the Assessor of Flemington, New Jersey, regarding the taxation of intangible personal property in Flemington; a letter from Mr. Donald Stevens, speaking for himself, to Mr. Norman Russell, a member of the Commission, pertaining to the taxation of intangible personal property in New Jersey.

The first scheduled speaker before the Commission is Mr. L. G. McDouall, Chairman of the Committee on Taxation of the New Jersey Bankers Association. Mr. McDouall.

**Statement of L. G. McDouall, Chairman, Committee on Taxation,  
New Jersey Bankers Association**

Mr. McDouall: Dr. Sly and Gentlemen of the Commission: In June of this year, the Honorable Frank D. Abell, President of the New Jersey Bankers Association, by and with the approval of the Executive Committee, appointed a special committee of our Association to study the problem. We felt that we would like to bring into the picture someone who might have some fresh views. Accordingly the Association retained a group of experts with whom we have been meeting over the past many months and who have expressed their views to us in a report which I shall file with this Commission. I want to make it clear, however, that this is the report of our experts, and up to this point it is not yet the recommendation of the New Jersey Bankers Association. The

report contains many thoughts and ideas bearing on this subject which we believe and hope will be helpful to your Commission. It stands to reason that in the limited time at our disposal, we could not, and have not, been able to explore the taxing situation of the State as a whole. That, we believe, should be done in the interest of finally producing for this State what we might regard as a reasonably model tax structure.

Let me come to the point of the recommendations of the New Jersey Bankers Association without further ado. We unqualifiedly recommend to this Commission that the intangible personal property tax be repealed. We are not unmindful of the fact that the intangible personal property tax produces spotty revenue in some of the political subdivisions of the State. What that amount is, we do not know, but I think that we have a right possibly at least to estimate or guess, if I may put it that way, what we think that revenue produces. We are of the belief that the personal property tax on intangibles as it is spottily assessed in the State of New Jersey by the various political subdivisions at this time, possibly, and I say that advisedly, possibly produces a revenue of somewhere between a million and a half and two million dollars. If the suggestions which we are making were to prevail and your Commission were to recommend legislation for the repeal of the personal intangible property tax, we are not unmindful that that possible revenue of a million and a half to two million might have to be replaced in the several political subdivisions which have availed themselves of the intangible personal property tax.

Now, then, coupled with our suggestion for the repeal, or recommendation for the repeal, of the intangible personal property tax, we feel that as a temporary expedient, and I say "temporary" advisedly, as a temporary expedient the franchise tax of this State should be doubled or trebled. The query naturally arises, "What would that produce?" From the figures and studies which we have made, there is an indication that the State now enjoys a revenue from the franchise tax, both on domestic and foreign corporations, of approximately \$1,600,000 a year. If our suggestion is to be seriously considered, the doubling or trebling of the franchise tax would therefore bring into the State \$1,600,000 or \$3,200,000 additional. But let me make this crystal clear, if I may. When we say increase the franchise tax for one year only, when we ask you to consider doubling or trebling the franchise tax, we have in mind only for one year because we are not unmindful that a doubling or trebling of the franchise tax, if it were to be continued as a definite part of our revenue-producing measures in

this State, would not produce the \$1,600,000 or \$3,200,000 because the doubling or trebling would result, we believe, in many corporations resorting to other avenues and thereby reduce the total tax which the State would collect. We have, in our thinking and in the estimates and with the advice of our experts, arrived at the conclusion that if you were to continue that method of taxation permanently, it would produce \$2,000,000 rather than \$3,200,000.

In the thinking of our group, we believe that under the very careful study and very fine work which your Commission is doing, it is almost a superhuman task to expect your Commission to produce a model taxing statute between now and when the Legislature convenes in January. We therefore are of the opinion that this Commission should be continued, or shall I say reappointed—whatever the proper procedure is—so that it may continue its studies. If it is continued, we believe it should be done under suitable appropriation so that this Commission may have available to it as many of the expert services as are required to produce this so-called model taxing act that we are discussing.

It may not be necessary even to double or treble the franchise tax for one year. The reason that suggestion is made is that it was in some measure to replace the loss of revenue to the several political subdivisions of the State. It may be that if this Commission can be continued and can produce this model act, you could do so in time so that the necessary legislation might be passed and enacted some time prior to the middle of 1945.

In the report that I shall file with the Commission are many suggestions. We think that in the studies we have made under the very able assistance of our experts, we have some ideas that may be helpful to you. We don't think for one minute that we have got "the idea" or that our idea is "the idea" that should prevail, but we do suggest that the ideas that are reflected in this report could very properly be a basis upon which some model taxing structure could be enacted. We are hopeful that this Commission may finally lead us in New Jersey to the finest taxing act that any State in the Union would then have.

I want to make one observation while I am here. We bankers know, and this isn't just hearsay, we bankers know of industries that are now ready and willing to locate in New Jersey but they say to us, "Not until such time as you put your taxing act in shape so that we will no longer be fearful of tax lightning." They say to us in New Jersey today, "No business can possibly know what its tax bill is at the beginning of the year because we cannot tell when some assessor may decide that he wants to hit us for a sub-

stantial assessment on intangibles." If we are to bring these new industries here, which mean payrolls, increased property values as represented both by real and tangibles, we must know now if we are to get them here to enjoy this post-war prosperity. These international and national organizations are ready to come here if we can give them the necessary assurance that we are going to have tax sanity in this State as applied to industrial organizations.

Then, too, I would like to point out to the Commission that we have the competition of our neighboring States. The studies which we have made include Massachusetts, Connecticut, New York, Pennsylvania and Delaware, and we people here in New Jersey would like to have an opportunity to compete with our neighbors on the east and west and north and south. We cannot compete today unless we can have this intangible tax repealed as it applies to personal property. We need only remind the Commission of the constitutional amendment in New York State that does not tax any intangibles. We need only remind the Commission Delaware has a similar provision. We would like to be put in a position to keep not only the very fine business we have in New Jersey but to attract and win this additional business which we know we can win if we have the help of this Commission in writing a sound tax structure.

Mr. Chairman, that is all that I have to present to you at the minute, although we are here and we are ready to be put on the firing line. We have some thoughts. We are ready to express them. If there are any questions that you and your associates on the Commission or anyone else have, we shall attempt to answer them to the best of our ability.

I appreciate the opportunity to present this message from our group, and we will file the reports with your Commission. Thank you very much.

The CHAIRMAN: Thank you, Mr. McDouall, for your helpful statement. Do you have any other member of your committee who would like to address the Commission at this time, Mr. McDouall?

Mr. McDouall: I am glad to say the bankers have taken this thing seriously and all the members of our committee are here. One of the experts, Mr. Walter Cooper, who is expected to be here, I haven't seen, but Mr. Mattersdorf, one of our other experts, is here. Mr. Mattersdorf has had a very broad experience in these matters, having been very helpful to the State of New York, in getting their laws in shape. So much business has left New Jersey to go to New York, we felt the only way for us to counteract that was to retain him as an expert. He is here, and members of

our committee and our experts. We will be glad to answer any questions we can.

The CHAIRMAN: We shall be glad to hear from Mr. Mattersdorf. Will you please identify yourself to the reporters?

**Statement of Leo Mattersdorf, Tax Consultant,  
New Jersey Bankers Association**

Mr. MATTERS DORF: Mr. Chairman, Members of the Commission: In this report which Mr. McDouall will file with the Commission, you will find we have made a study of the tax situation in this State. We have also made a fairly thorough study of the taxation of personal property in other States. As Mr. McDouall has called to your attention, the State of New York, by constitutional amendment, in 1938, prohibited the taxation of intangibles at ad valorem rates, and has specified that only the income on intangibles may be taxed as part of a general income tax base. As a consequence, intangibles as such are not taxed in New York. Further, personal property is not taxed in New York by statute. That provision is contained in Section 3 of the Tax Law. In Delaware, the constitutional provision is rather broad, and does not deal specifically with intangibles, but by State law personal property, tangible and intangible, is not taxed. I might point out to the Commission that of all the States which border New Jersey, New Jersey, so far as the franchise tax rate is concerned, has one of the lowest taxes. In my opinion the structure can be brought to a fairly sound basis and be competitive with other States in that the rates would not necessarily be so high as to drive business out of the State. In the studies that we have made, we have found that many companies, industrial and others, have left the State in recent years, particularly since the intangible tax has been enforced in some localities. A study of the intangible situation in all the States in which the tax exists has shown that it has not been enforceable. There are only six States in the Union which tax intangibles at a general property tax rate. New Jersey, of course, is one. The others are mainly agricultural—Maine, Missouri, Arkansas, Texas, and New Mexico. Maine is making a study now to do something about its general property tax rate as applied to intangibles, but just what the recommendation of the commission there will be, I have no means of telling. Missouri has made a very thorough study of its situation in connection with a revision of its constitution, and I understand that the general property tax rate will probably be abandoned although whether a low mill rate or some other method of taxation will be adopted, is difficult to tell.

I call the Commission's attention to the fact that no matter how intangibles have been taxed, that is, whether at a general property rate or low mill rate, it has not been a satisfactory means of taxation. In the first place, intangibles are very easily hidden. In many cases, people resort to the shifting of intangibles to other States, the shifting of their domiciles or the investment of their money or other funds in tax exempt securities. On the whole, the taxation of intangibles has had the effect either of driving business out of the State or locality, of shifting funds or securities, or of the defeat of the tax in other ways. There is no known method, so far as I can determine, which has ever resulted in a satisfactory enforcement of the tax. The problem is particularly acute where intangibles are assessed by local officials. There is no uniformity throughout the State. It has been the experience not only in New Jersey but in Maine and other States that industrial concerns and others have moved to other localities in or have moved out of the State. I doubt very much that if the State itself were to enforce the tax and make it uniform, anything would be gained thereby. You would have uniformity, it is true, but if any attempt were made to assess property at its true value and tax it accordingly, the tax would be confiscatory. I need only mention that with a tax rate of 6 per cent or \$6 a hundred, the taxation of intangibles at full value will result not only in the confiscation of income but of some of the principal, and I use the term "confiscation" advisedly.

While we do not recommend an income tax, the taxation of intangibles at general property rates, or even at low mill rates, results in higher tax than a tax on the income from those intangibles. In that respect, it is well to bear in mind that when a business moves to New York, the personal property is not taxed. In those cases where trusts are created, by nonresidents of New York or a person who in his will creates the trust and is a non-resident of the State at the time of his decease, the income from the trust is not taxable in New York, if the trust does not carry on business there. That is the type of competition which the State of New Jersey has to meet. Also various amendments have been adopted to the franchise tax law in New York, which makes it much more attractive to do business there. That is another type of competition which New Jersey will have to meet.

I do not think I have to dwell on details, because those details are given in this report which will be filed with your Commission. In it, we have made various recommendations regarding means of raising revenue, if the Commission feels that the elimination

of the tax on intangibles will have to be replaced in other ways. We have made recommendations as to the distribution of revenue from these various taxes. There is very little else that I can add except to point out that studies have convinced me that the problem facing the State of New Jersey is serious; that the trend in this country, as has been stated in a report of the New York State Tax Commission, is away from the taxation of intangibles and away from the taxation of personal property altogether. Two States, as I have said, already have taken that step, New York and Delaware, your neighbors. I think the trend will continue and this is the time, of all times, when tax revenues are high, when the cost of paying taxes is low, when you are not faced with a depression, to set your house in order. That is the attitude that has been taken by other States and that is one reason so many studies are going on at the present time. Among other States that are making studies today are Maine and Rhode Island, and some western States. I mention States in this "vicinity" because those are the ones with which you will have to compete. While Rhode Island appears to be studying other phases of its tax structure, it seems to be giving attention to its intangible tax, too.

Thank you.

The CHAIRMAN: Thank you very much, Mr. Mattersdorf.

Mr. McDouall, is there any other member of your committee who would like to speak at this time?

Mr. McDouall: Not at this time, Doctor, thank you.

The CHAIRMAN: Are there any questions from any members of the Commission?

[No questions]

The Commission has examined this report and does not feel it has any questions to ask at this time.

Is there any other group or individual present who would like to be heard before the Commission at this time? There are no further scheduled hearings for this morning, and we would be very glad to receive the comments or advice of anyone who would care to speak.

If there is no one who cares to appear before the Commission at this time, the Commission will recess until 1:30.

[Whereupon at 12:15 a recess was taken until 1:30 P. M.]

The Commission met at 1:30 P. M., pursuant to recess, in the Assembly Chamber, State House, Trenton, New Jersey. Dr. John F. Sly (Chairman) presiding.

Present: Dr. John F. Sly (Chairman), Senator David Van Alstyne, Jr., Assemblyman Jacob S. Glickenhau, W. Paul Stillman. Also present: James A. Arnold, Jr., and William Miller, research consultants to the Commission.

Absent: Norman F. S. Russell.

The CHAIRMAN: The meeting will please come to order. The first hearing scheduled for this afternoon before the Commission is a representative of the Committee of the Board of Assessors of the City of Elizabeth. Is either Michael J. Battersby, President, or Harry A. Kennedy, Secretary, present? If they are not present, we will listen to them when they arrive. We will proceed with the second scheduled hearing, the Personal Property Tax Committee of the New Jersey State Chamber of Commerce, Mr. Horace K. Corbin, Chairman, and Mr. Russell E. Watson, Counsel. Mr. Corbin—

**Statement of Horace K. Corbin, Chairman, Personal Property Tax Committee, New Jersey State Chamber of Commerce**

Mr. CORBIN: Mr. Chairman and Members of the Commission: We have presented informally our thoughts on this question of personal property taxation to you and wish to repeat and present them to you again in a formal manner. Briefly, we have two recommendations to make. One is that the intangible personal property tax be repealed; secondly, that the revenue that was lost—that will be lost if that tax is repealed, be replaced by an increase in the corporate franchise tax. The first recommendation we believe is very vital. The second is in the nature of a suggestion of many other different taxes that could take the place of the loss of revenue if the intangible tax is repealed. We are simply offering the franchise tax as a substitute because the money from increasing the franchise tax, the corporate franchise tax, largely comes from the same group, so far as we can determine, that is paying on intangibles, almost entirely corporations.

The reason we made this recommendation is that we believe that economically, from an industrial viewpoint, New Jersey is very nearly standing in a critical position that after the war will be a major financial problem.

We are more of an industrial State than we are an agricultural State. In the last hundred years, since this tax was first put on the books in our present constitution, we have become an industrial State very largely, as you know. The intangible tax being so

uncertain, as it is at present administered, puts in the minds of a businessman uncertainty as to what his taxes are, and uncertainty is something that is very bad for an industrialist when he plans to come to New Jersey or when he is making plans for an expansion of his business program.

It has a very direct effect on payrolls, as you can readily imagine. The danger that we are facing today seems to us to be this: that the municipalities of this State undoubtedly will have to increase their salaries compared with the 1939 base anywheres from what looks to be 50 per cent to 100 per cent in the recovery period after the war. Industrial companies and all other types of activities, have increased salaries of the people working for them in very substantial amounts today, apparently more so than municipalities, and it is entirely logical to believe that if clerks in a bank, or tellers in a bank, are increased 50 per cent in salaries, policemen and firemen, school teachers, other public employees are going to ask for a comparative increase if the cost of living warrants such a request.

The cities, to raise these moneys, have open today really two taxes, the real estate tax, from which they are getting most of the money, and the other tax is the tangible and intangible personal property tax. They are raising \$35,000,000, figures show, from personal property taxes. Of that, our study indicates, only between \$1,500,000 to \$2,100,000 is being raised by intangible personal property taxes. Most of that is coming from corporations and the majority of it from the Flemington situation, where many corporations have moved to alleviate their intangible personal property tax.

With the increase of salaries facing the municipalities and different governing bodies, it seems very definitely a fact that it would be very hard to raise real estate taxes very much above their present level. The average rate, I think, is nearly 5 per cent on pretty heavy valuations in the State. Most real estate in the cities is not particularly remunerative. The taxes take most of the income and the easy way, the way which would bring least political pressure against governing officials, is to increase personal property tax. You can do it on individuals, you can do it on corporations, because with very few exceptions, there is little money being raised from intangible personal property. Tangible tax such as inventories, machinery, equipment, household furniture, etc., is paying most of that tax today.

As I say, it looks as if probably less than \$2,000,000 is being raised by intangible personal property taxes. If that tax base is to be the source of large sums of additional revenues, its growth

will be extremely difficult to stop. It is about the most unfair tax you can possibly imagine. For instance, if I own ten shares of General Motors stock, I am taxed about \$5.12 per hundred on those ten shares. That is more than the dividend. If I own Standard Oil of New Jersey, I am not taxed at all. They are two very large, very successful corporations that are very popular with small investors, some hundreds of thousands of people, the majority of them women, I think, in one case. But General Motors Corporation happens to be domiciled in Delaware, and Delaware stocks held by New Jersey residents are fully taxed. Standard Oil of New Jersey is domiciled in New Jersey, and that stock is exempt if held by a New Jersey resident because of being incorporated here. It is just a pure matter of law.

If I have a moderate saving and want to invest it in a large industry of America, I have to get a lawyer or get a tax expert to tell me whether all my dividends will be taxed away from me if I buy certain stocks, and in other cases whether I will be allowed to keep all my dividends. That seems silly but that is what can happen to us in the post-war period. The local tax assessor, looking for new revenue, can do this in a very painless way by increasing intangible personal property taxes. That is something none of us has experienced to any extent. Intangible personal property taxes have been levied almost entirely against corporations. To all intents and purposes, the intangible personal property tax is an income tax, and yet not a fair income tax. It is a discriminatory income tax.

I have just given you a very simple ABC example. You can find a hundred examples comparable to the one I have just given you. It is an unfair tax in every way in that the man who has a small income is taxed the same amount, based on its value, as the man with property paying larger income. If we are going to have an income tax, let's talk of that separately. It is a different matter. If these towns need more money, and I firmly believe they will, to run their civic affairs, they will need new methods of taxation. They should come to the Legislature and ask for a method of raising more revenue. Let them decide then whether they want an income tax, sales tax, or personal property tax, levied on a fair basis, that fits in with modern necessities. The present law was set up based on conditions that existed well over a century ago.

We strongly recommend that no attempt be made to adjust the tangible personal property tax, which is producing today some

thirty-three or thirty-four millions of dollars. The reason we make that suggestion is a practical one. There have been three major attempts in the last ten years to revamp the personal property tax in this State. They have all failed, primarily because when you talk about revamping your tangible personal property tax, you are talking about repealing part or all of taxes now raising something over thirty-three or thirty-four millions of dollars that has to be replaced, and then you start talking about new taxation.

New taxation never seems to be effected unless there is an emergency. Whenever there is a real emergency, then we can all get together and compromise, because by pressure we will agree to something. I may be opposed to something and another person feels exactly the opposite, and unless we have an emergency so that we are willing to give in, we stick to our guns. But when things are bad, we think the new tax as proposed is not as bad as what we have now, and then we make a compromise and agree to new taxation. Unless such emergency exists, it is the history of all the 48 States, new taxation is never successful because we can't agree among ourselves. The different parties in interest, the taxpayers, have a right to their vote as to what we should do.

Of all three major attempts to repeal the intangible personal property tax in the last ten years, I think only one of them had a bill introduced, and it was never let out of committee. That was drawn at the time the plan was proposed by the committee Governor Edison appointed. Of the other two, one was initiated by the New Jersey State Chamber of Commerce; the other by the Stout Committee appointed by Governor Moore several years ago. They had a plan carefully worked out after a great deal of time spent by interested groups, but they stepped on so many toes when they talked about raising thirty or forty million dollars, it was just hopeless ever to think of starting.

There is no emergency today. The State has a larger cash balance, I understand, than ever in its history. There is hardly a town whose bonds are not selling at an all-time high. There is not a town that has not a large cash balance, a surplus in revenue, and no financial emergency exists at all. If we start talking new taxes, which means I pay less, John Jones pays more, or vice versa, John Jones is not going to like it, or I am not going to like it. We will fight new taxes. There is no great emergency. There is no reason to believe that much success will be obtained by new taxes.

I recognize a number of you in this room who were actively attached to the three schemes in the last ten years to revamp this. You know how discouraging a proposition it was when we came to try to get many minds together.

When the emergency arises, and I think it will in the next two or three years, if the intangible tax is repealed, the governing officials of the five hundred odd taxing districts in the State of New Jersey will naturally come to Trenton and ask for new methods of raising revenue. That will be the emergency because salaries will have to go up—they can't do otherwise, as an aftermath of this war—and that is the time for the Legislature, or such other machinery as may be set up by the State, to determine how we shall tax ourselves. But if we do not shut this door, we are going to get, we believe, into a very, very disastrous condition, which will be extremely bad for the business affairs of our State, and with the business goes the employment problem.

Thank you.

The CHAIRMAN: Thank you, Mr. Corbin, for your statement. Is there any other member of your committee you care to introduce at this time?

Mr. CORBIN: I might say that Mr. Watson, who is an expert in these matters—I think he has been attached to all these different plans—would be glad to answer any questions anybody has in mind.

The CHAIRMAN: We will be glad to hear from him.

Mr. WATSON: Mr. Corbin has presented the views of our committee very thoroughly and adequately.

The CHAIRMAN: Are there any questions from the Commission?

Mr. GLICKENHAUS: Mr. Corbin, in advocating the repeal of the intangible tax, your suggestion was to raise the franchise tax as it presently exists. How far do you suggest it be raised?

Mr. CORBIN: The present revenue from the franchise tax is about \$1,600,000, from the data we have. I would suggest at least doubling it. It is not a tax that is onerous; it doesn't raise a great sum of money; and the people who pay a corporate franchise tax, to the best of our studies, are the people now paying intangible personal property taxes. Although it goes on the same group, it is fairer to the taxpayers as a whole. One man may pay a little less under the new scheme than another man who is the same type of fellow, running a business, manufacturing or service organization of some type.

Mr. GLICKENHAUS: May I ask you where your committee got the figures, and the same question goes to the Bankers who spoke this

morning, as to the aggregate tax on intangibles in the State of New Jersey, amounting to approximately a million and a half to two million dollars?

Mr. CORBIN: We had several people make a spot check, going to tax assessors. We took what we considered to be typical districts. They did it for a number of months, around the State. They went to them and asked them, "How much of your personal property taxation, of your assessment, today, do you believe to be on intangibles? In other words, if the intangible tax were repealed, how much would your present assessment roll, in your opinion, be reduced?" That was the basis and that is where we got this figure. None of them knew accurately. We believe our two spreads, the one million and a half to two million one hundred thousand dollars, are the limits. We think that \$600,000 is about the greatest inaccuracy.

Mr. GLICKENHAUS: Thank you very much.

The CHAIRMAN: Are there any further questions from members of the Commission? Is there anything you care to add, Mr. Corbin or Mr. Watson? If not, the next group scheduled to be heard before the Commission is the Hudson County Board of Taxation, Mr. Leo Rosenblum, President. Is he present?

Mr. BAUMANN: I understand he will be here at three o'clock, sir.

The CHAIRMAN: We will hear Mr. Rosenblum when he arrives at three o'clock.

Is Mr. George Baumann, counsel of the Jersey City Chamber of Commerce, present?

Mr. BAUMANN: Yes, sir.

The CHAIRMAN: We will be glad to hear you, Mr. Baumann, at this time.

**Statement of George J. Baumann, Counsel, Jersey City  
Chamber of Commerce**

Mr. BAUMANN: Mr. Chairman, Members of the Commission: The Jersey City Chamber of Commerce and Jersey City in particular are vitally interested in revision of the entire personal property tax law of this State. In 1941, the personal property assessments levied against our taxpayers amounted to some twenty-six million dollars. In 1943, they were ninety-eight million dollars. I am giving you assessments, not dollars and cents taxes. The inequities in enforcement of this personal property tax law has worked extreme hardships on many of our taxpayers. Many of our companies have already left the city, and others have threatened to move. We

feel that when the war is over, there will be a wholesale migration of companies from our community, as well as from other municipalities of the State.

The application of the personal property tax law, based on the present tax rates, not only in our city but in other communities of New Jersey, when applied on the true value of the property, often constitutes confiscation, and may I at this juncture say in our city, for example, for the year 1944 our tax rate is \$61.62. That, applied to true value assessments, is confiscation. We are of the opinion that unless the personal property tax law is drastically revised, the post-war future of our State will be dark indeed. Real estate taxpayers, we are certain, appreciate that if business removes from the State and employment of necessity falls off, the tenants who pay the rent will eventually become fewer and fewer, and real estate again will suffer.

Insofar as taxation of intangibles is concerned, it has been clearly demonstrated that assessments of this class at true value at general property tax rates is unworkable. The exodus of hundreds of our corporations demonstrates that taxation on intangibles is unfeasible. The tax on intangibles is one of diminishing returns. It has met with failure in nearly every state in the Union. We recommend, therefore, Members of the Commission: (1) that intangible personal property under Chapters 4 through 8 of Title 54 of the Revised Statutes be exempt from taxation; (2) that corporate franchise tax rates under the present law be doubled, and I am authorized to say if necessary we are willing to have them trebled.

We also make a further recommendation which I think your committee might consider, and that deals with tangibles. I think you are authorized to take that up. Again we say that applying not only our rate but the average rate throughout the State of New Jersey, I think about 4.6, on a true value basis of machinery stock or raw materials, is confiscation, and with that in mind we make this recommendation: that a nominal ceiling tax rate should be fixed by the State to be applied to all tangible personal property on true value assessment, modified by an equalization factor suitable to the various types of property, the taxes to be assessed, collected, and allocated by the State pro rata to the municipalities in accordance with the amount of moneys collected from each municipality. Abolishment of the tax on intangibles and its replacement by a double or, if need be, treble corporate franchise tax rate will more than make up for the loss of revenue caused by the re-

moval of this unfair and unenforceable tax. Corporations of our State will gladly pay the added franchise tax rather than risk the ever-present danger of tax lightning. A nominal ceiling tax rate on tangible personal property, uniformly applied throughout the State, would, in our opinion, be fair and equitable. If properly enforced we believe it would raise sufficient revenue to replace those now obtained under our present law.

I might say when we say uniformly applied, every tax assessor should assess according to the constitution at true value, and if everybody did assess at true value throughout the State and the rate were uniform and there were a ceiling rate, I believe sufficient revenues would be derived. The Federal Government has constructed thousands of new plants throughout the country. When the war is over, our neighboring States, as well as others, will do everything possible to obtain and retain new industries. If we are to compete with other States, if we wish to retain the industries now located here and attract new ones, we must abolish the present personal property tax law and substitute one that will make it more attractive for business to operate in New Jersey.

I urge upon you, Gentlemen, particularly the first two recommendations. By abolishing the intangible personal property tax, which we feel is a nuisance, a headache and burdensome, and by substituting the double or treble franchise tax on corporations, we feel we will bring in more businesses to the State and keep those that are here from going out.

The CHAIRMAN: Thank you, Mr. Baumann.

Mr. GLICKENHAUS: You gave us some figures there in the first part of your statement as to personal property assessments in Jersey City. May I have those again?

Mr. BAUMANN: In 1941, assessments were \$26,000,000. In 1943, they were \$98,000,000.

Mr. GLICKENHAUS: Have you any breakdown of those figures as to intangibles and tangibles?

Mr. BAUMANN: I do not have any breakdown but I believe for the year 1943, I called one of the men in the City Tax Commissioner's Office and he told me the amount of money collected on intangibles was rather insignificant, but Mr. Rosenblum, who will appear later, may have some other facts on that. But if he does give you figures indicating that more is covered by intangibles than tangibles, I again say that is no reason why the intangible personal property tax should not be abolished. As an example, the American Can Company in 1944, I believe, and also in 1943, has an assessment of

\$12,000,000 in Jersey City, and based on our \$61.62 rate, they pay a capital levy, I call it, of \$720,000, or at least they are obligated to pay that, and we know if they have to pay \$720,000 capital levy on their personal property, be it tangible or intangible, they won't stay in Jersey City, or in New Jersey either.

Mr. GLICKENHAUS: The point that comes to my mind is this: without any sufficient breakdown as to tangibles and intangibles, if your suggestion were followed and the intangible tax were repealed, wouldn't it of necessity follow that there would be what has been called here this morning tax lightning with respect to tangible personal property?

Mr. BAUMANN: I don't follow you. If the breakdown is that the tangibles are insignificant, would there be tax lightning against tangibles?

Mr. GLICKENHAUS: Yes.

Mr. BAUMANN: I think when the assessors levy or the county board levies, they don't break it down immediately. They really don't know at the outset what it is. They just feel—I don't know how they got their figures but I think they got them from government reports—that a company had so much in assets. It is very difficult for assessors, and I don't believe they break them down. They told me they haven't broken them down for the last few years. They used to break them down.

Mr. GLICKENHAUS: Do you know whether they are required to break them down by law into tangible and intangible?

Mr. BAUMANN: I don't think they are, but they do do this: they send out a questionnaire—they sent them out this year—and on the questionnaire they ask the taxpayer to set forth accounts receivable, stocks, notes receivable, and then to offset, liabilities due to New Jersey creditors, but let me say again that if a taxpayer answers that under oath as he must, and he is bound by it, immediately he has a tax which may put him out of business.

Mr. GLICKENHAUS: In other words, if he answers it truthfully, both as to tangible and intangible, he sustains a very heavy tax burden.

Mr. BAUMANN: He does, and he cannot operate.

Mr. GLICKENHAUS: What has been the practice?

Mr. BAUMANN: I advised people not to answer them, but if they do answer them, they are bound by them, and I tell them they must answer truthfully.

Mr. GLICKENHAUS: Then you have taxation by guesswork or, to put it better, by negotiation. Is that a fact?

Mr. BAUMANN: I don't know about negotiation, because I don't know of any negotiations that take place in our community. All I know is that the people who pay personal property taxes today have large bills, and they just won't pay them, and I say in all sincerity, we have letters in our files from our industries—you must bear in mind that today these companies are not paying the tax; Uncle Sam is paying the tax, because they are either on a cost-plus basis or they are in the excess brackets class, and it does not make much difference to them—but when the war is over, and I understand your Commission is concerned about that, that is when we will feel it. There should be some leading industrial realtors here, men coming in contact with large outfits thinking of locating in New Jersey. They can tell you about New Jersey's reputation for tax lightning.

Mr. GLICKENHAUS: You say that returns on intangible property are insignificant in Jersey City.

Mr. BAUMANN: I was under that impression, but Leo Rosenblum may have something different to say to you.

Mr. GLICKENHAUS: Your other thought was—you started off with the premise that we ought to repeal the intangible tax.

Mr. BAUMANN: That is right.

Mr. GLICKENHAUS: And then double or possibly treble the corporate franchise taxes. Now, then, you offer an additional suggestion that there should be a ceiling placed on the taxation of tangible personal property.

Mr. BAUMANN: That is right.

Mr. GLICKENHAUS: What concerns me is how can you, under a constitution which prescribes that you shall tax according to true value, set a ceiling?

Mr. BAUMANN: I am talking about a ceiling rate. I don't think it has been declared unconstitutional insofar as the railroads are concerned. The railroads now have a \$30 per thousand rate.

Mr. GLICKENHAUS: Oh, you mean a ceiling rate, not a ceiling on valuation.

Mr. BAUMANN: A ceiling rate throughout the State, not on the valuation. If the new constitution had been adopted, we could have done that.

Mr. GLICKENHAUS: In other words, that ceiling rate may be at a rate less than that on real estate.

Mr. BAUMANN: That is right, and I would say definitely it would be very simple for the State to send out a form similar to the form tax assessors send out, and ask each taxpayer to set forth the valu-

ation of his personal intangible property. He would sign it under oath. Not only that, he could send in his check at the same time because he would know the rate.

Mr. GLICKENHAUS: You would make that a State-administered proposition?

Mr. BAUMANN: State-administered, yes, sir.

Mr. GLICKENHAUS: Thank you very much.

The CHAIRMAN: At this time, the Commission will hear the president of the Hudson County Board of Taxation, Mr. Leo Rosenblum, if he is prepared to speak.

Mr. BAUMANN: Commissioner Doherty is here.

Mr. DOHERTY: Mr. Rosenblum will be here in a few minutes.

The CHAIRMAN: We will be glad to wait for Mr. Rosenblum. Is there any other individual or group present who would like to address the Commission at this time? Is Mr. Kennedy of Elizabeth here, or Mr. Battersby? They were scheduled to appear at 1:30.

These are all the hearings scheduled for this afternoon, and the Commission will recess until Mr. Rosenblum arrives unless someone present wishes to address the Commission. Does the gentleman wish to speak? Please come forward and identify yourself to the reporters?

**Statement of Anthony F. Daly, Assessor, New Brunswick,  
New Jersey**

Mr. ANTHONY F. DALY: I am a local tax assessor in New Brunswick. Mr. Chairman and Members of the Committee: It seems to me that I am the only local assessor who has appeared here. I am not a tax expert. The only time I look for a tax expert is when I am trying to figure payment of my taxes. I feel as tax assessor that the tangible and intangible taxes should be taken out of the hands of the local tax assessors and placed with the State Tax Commissioner. As several of you gentlemen have stated here, they are discriminatory because while we have a State law, each municipality has its own law, so there are being administered 531 different laws.

So far as intangible taxes are concerned, I suppose they refer to bonds and stocks—I would like to know how many municipalities do tax bonds and stocks or trust funds. I think there are very few. I think that all personal taxes should be assessed by the State because the State has the largest staff and records are more easily accessible to the State than they are to us at the present time. I don't think that all these corporations that left Jersey City and

went to Flemington, where they were able to obtain a 75 cent rate, would have left Jersey City if the State had taxed these properties.

Insofar as household goods are assessed, I say there are very few people assessed outside of the owners of the property. Tenants are not assessed. I feel that what we need in this State is a tenancy tax. I feel that if the State should take over the assessment of all personal taxes, it would make it possible for all the local assessors to devote more time to equalization of all real property taxes in their community. We know that each municipality is competing with the other for industry, and they are offering inducements, inducements which cannot be made if they are State taxed. We know that in some municipalities they pay 30 per cent of the personal taxes; in other municipalities, 70 per cent, and there is no uniform basis; it is very discriminatory.

I know myself, speaking for my own district, that when I send out these questionnaires, they are not returned. No one fills them out, so according to law we have to use our own figures, and they are just guess figures. You can go to an industrial concern and talk with them and they will tell you that, "Well, so-and-so gives us 30 per cent, and they are only on the borderline." If you try to tax their trust funds, they say, "We will move our trust funds across the river." Of course, there is a question whether we should tax a trust fund or whether we should tax the income account of the trust fund, which would be more fair. I say to each and every one of you here today that there never will be a satisfactory solution to the personal taxes as long as they remain in the hands of the local assessors, because where the assessors in some instances are appointed, in some instances are elected to office, you don't solve the problem. It is either a political appointment or he is elected politically. That should be done by the State.

I studied the various laws. When I say that records are more easily accessible to the State than to the local assessors, I am referring to the Costigan Bill, an act of Congress that makes it possible to obtain the figures from the income tax returns, which can be obtained through the Governor's office. The local assessor does not have these records available to him. I say also that this present system of taxation throughout the State is wrong because it doesn't do justice to industry, it doesn't do justice to the taxpayer. I believe that the State Legislature itself realized that when it passed, I think it was Chapter 115 of the Laws of 1944, where it permitted tax delinquencies of personal taxes to be cancelled because they couldn't be collected, and it permitted the tax col-

lector, from time to time, to submit these delinquent tax collections to the governing body to be cancelled, showing they cannot be collected because people are permitted to move overnight and don't pay them. I say all personal taxes cannot be collected on a higher percentage than real estate taxes, and we all know that back in 1933 real estate taxes themselves were not collected any more than 58 per cent. That is the low we reached.

While they are approximately 95 per cent, they will never go any higher; they will go lower. I think every governing official is interested in bringing money into his treasury, raising the cash, so he can run his government. He certainly can't raise cash where there is a large delinquency, and there is a large delinquency in personalty tax because it is easily evaded, and insofar as the taxation of intangibles is concerned, the small man is in an easier position to hide his stock than the big corporations. There is only one solution to this whole picture of taxation, as I see it—that all personal taxes must be removed from the local tax assessors' picture and put in the hands of the State. I say in order that people may become more tax conscious throughout the State, there should be a tenancy tax collected by the landlord and shown on his rent bill, so that people will know they are paying taxes directly.

Insofar as a franchise tax is concerned, I believe there are only several big corporations in the State, most of the utilities, the railroads, which pay the franchise taxes. I have been a railroad employee and I know some years ago the railroads were in a position where they couldn't pay their own taxes, without paying additional or a double franchise tax. I know myself that railroad cars and railroad engines were lying by the thousands, idle, in all these various yards, earning nothing, so when earnings, and I believe franchise taxes in most instances are based on earnings, go down, there won't be any franchise tax to collect.

I believe that from the local assessor's viewpoint, something can and should be done, and should be done by this committee and should be done throughout the State, not acting through any local municipality, because each municipality has its own selfish interests at heart.

Mr. GLICKENHAUS: How long have you been tax assessor?

Mr. DALY: I have been tax assessor two years, but I followed the procedure about ten years.

Mr. GLICKENHAUS: From your own experience as tax assessor, have you ever computed, as part of the personal property tax, the tax on intangibles in any instance?

MR. DALY: No, sir. But I recently attempted to tax trust funds, and I was told that the banks never paid it, didn't know of any bank in the State of New Jersey that ever paid taxes on trust funds.

MR. GLICKENHAUS: How many forms are you required to send out?

MR. DALY: I want to be fair and tell you the truth. We don't submit the forms to the householders. We submit mostly to the corporations. As far as grocery stores are concerned, we go to them and look over the stock. It is more of a compromise agreement with them. They say, "Well, it was all right last year; we will carry the same figure for this year."

MR. GLICKENHAUS: Do you ever look at the books?

MR. DALY: No. Lots of times if you look at the books you will find at the end of the year they don't owe any personal taxes. When we go there they could easily deduct their liabilities and we wouldn't have anything to tax. In other words, they can wait for a certain period of the year, just like writing off stock losses, and it is possible they won't pay any tax.

MR. GLICKENHAUS: How many forms did you send out?

MR. DALY: About fifty forms, and I received only one back.

MR. GLICKENHAUS: How many taxpayers do you have in your district?

MR. DALY: My district is mostly residential.

MR. GLICKENHAUS: You got only one back?

MR. DALY: One back, and he filed after the date.

MR. VAN ALSTYNE: Are you in favor of retaining the tax on intangibles, or do you think it should be eliminated?

MR. DALY: I don't believe in eliminating any tax. I do believe in changing the procedure in collecting the tax. I believe the State should collect them where you have a larger personnel and you can make it more uniform throughout the State. I can go to certain parts of the State and find a \$7 tax rate, and I can find people that have a 75-cent tax rate.

MR. GLICKENHAUS: You advocate State administration at a certain prescribed rate of taxation?

MR. DALY: That is right.

MR. GLICKENHAUS: What do you mean by tenancy tax?

MR. DALY: I believe that every building that is occupied or used by someone else other than the owner [should pay a tax]—in other words, take, for instance, a household tax. You could never collect those, but if you put a dollar a month or 3 per cent, or whatever it may be, on the rental, if the rental is \$30 and you put a

dollar a month tax on there and include it on the bill in addition to the rental, that will overcome the loss of tax on household goods.

Mr. GLICKENHAUS: Well, the tenant pays part of the real estate tax.

Mr. DALY: He pays it indirectly. When it is paid directly, he becomes more tax conscious.

Mr. GLICKENHAUS: What would you do with the real estate tax?

Mr. DALY: What you are doing is removing the household tax, which in some instances is not being collected or enforced.

Mr. GLICKENHAUS: In other words, the tax on household furniture, in lieu of that you would substitute a tenancy tax?

Mr. DALY: That is right. The household itself is only being enforced. I could rent a ten-room house and I wouldn't pay any tax on household goods, but the fellow next door who owns a five-room house, you assess him because he happens to be the owner and occupies the house. That is the procedure throughout the State. There are very few tenants today paying a tax on household goods.

Mr. GLICKENHAUS: Is there any exemption on household goods?

Mr. DALY: One hundred dollars, but it should be paid not only by the owners but the tenants likewise. There is a \$100 exemption, but it is not being enforced throughout the State.

Mr. GLICKENHAUS: Thank you very much.

The CHAIRMAN: Thank you, Mr. Daly.

Is the representative of the Hudson County Board of Taxation ready to be heard, Mr. Rosenblum?

Mr. ROSENBLUM: Yes, sir.

Mr. CHAIRMAN: Mr. Leo Rosenblum, president of the Hudson County Board of Taxation. We are glad to have you here this afternoon.

**Statement of Leo Rosenblum, President, Hudson County  
Board of Taxation**

Mr. ROSENBLUM: Thank you.

Experience indicates that a successful system of taxation of intangibles is dependent primarily upon a rate low enough to discourage removal of such taxable property to other jurisdictions. Corporations and other taxpayers do not object per se to taxation of intangibles. It is only when the rate of taxation absorbs an excessive proportion of the income or principal that the exodus from the State or from the various municipalities to other municipalities begins. This has been the chief problem which we have had

to face in New Jersey. Taxation of intangibles at local rates, running as high as 6.16 per hundred in Jersey City, has produced a prohibitive and confiscatory tax. Business cannot and will not retain its New Jersey situs under such conditions.

Nevertheless, the tax structure of many taxing districts will suffer considerably by the complete elimination of intangible taxes. In Jersey City and Newark, particularly, elimination of this type of taxation without an adequate substitute is likely to cause a distressing increase in local tax rates. Consequently, the remedy lies not in abolition of intangible taxation but, I think, rather by substitution of a reasonable, workable system in place of the present impractical law.

We all know now that the greater part of intangible property has escaped taxation entirely in New Jersey because of the excessive rate effective under the present statute—I mean the local property rate. Faced with the terrifying prospect of being taxed at full local rates, taxpayers go to extremes in their efforts to conceal intangibles from the reach of the assessors. That is an established fact, and I think it cannot be questioned in the face of the record. Only a very low rate will make these hidden ratables available to the local assessor. The greater the aggregate of intangible ratables, the lower the rate. Therefore, I think the first aim in quest of a low but productive intangible tax rate should be a broadening of the tax base. I think that, principally, is where our difficulty lies today with the entire question of personal property. That goes for tangible as well as intangible property.

Our present intangible tax base is limited in its scope by what I conceive to be unnecessary and excessive exemptions. These exemptions are out of harmony with that uniformity required by the constitution, and, to a great extent, are responsible for increasing the tax burden of less productive, but less fortunate, types of property. To illustrate, one of the most productive types of intangibles, in the form of mortgages, escapes taxation under the present law. It is not clear to me why a loan secured by a promissory note should be taxed, while a loan secured by a mortgage is exempt. Another case of unnecessary exemption is found in that section of the statute which permits deduction for debt. Why should this be, when real estate is taxed at full value, without any regard whatsoever to its burden of mortgage debt? A piece of property may be worth \$10,000 and carry a \$6,000 mortgage. The owner of the real estate is compelled to pay at full local property rate on the \$10,000. There is no deduction for the obligation he has outstanding against his real estate.

Take the same condition in the case of personal property intangibles. If a man owns some intangible property—it may be accounts receivable, it may be notes receivable, or some other form of receivable—from that amount of the property taxable under the law, he is permitted first to deduct the amount of his accounts or notes payable in the State of New Jersey. That brings the entire picture out of harmony with the situation existing in the case of real estate. There is no reason for it. The person who holds the mortgage owns taxable property. The fact that the real estate has been taxed shouldn't bother him any. He doesn't pay that tax. As far as the owner of the mortgage is concerned, he owns a perfectly good security. He obtains income that has a definite fixed value at all times. As a matter of fact, it is about the only intangible I can conceive of, possibly with the exception of notes receivable, whereby a concrete value can be placed upon it at any time with some degree of certainty. Consequently, I think the statutory exemption of mortgages is entirely wrong and I think if we were to include mortgages under any new arrangement of the statute, we would broaden our base considerably, for the benefit of all taxpayers.

The deduction for debt provision is an open invitation for taxpayers to evade taxation of intangibles. By use of this section, a large bank loan may be made just prior to the assessment date, and by depositing the proceeds of the loan in a bank, not only the money itself is exempt, but the amount of the loan is deductible from the aggregate of all other intangibles owned by the taxpayer. I speak from practical experience when I say that without knowing whether the taxpayer I had in mind intended to evade the statute, the effect nevertheless is the same. A fifty-thousand-dollar loan was made just a few days prior to the assessment date from a bank, a bank loan. The money was deposited in the account of the taxpayer in a New Jersey bank. Consequently, that property gained exemption. Then he proceeded to deduct the \$50,000 obligation to the bank from all other taxable intangibles. I don't think there should be any deduction for debt, as I will discuss later. The rate should be low enough to warrant taxation of intangibles without regard for deduction for debt.

Many other property holdings are exempted by statute without basis or reason, with the result that the intangible tax base has been restricted unnecessarily. If these and other exemptions are eliminated, we will have gone a long way toward broadening the tax base and lowering the tax rate to an acceptable level.

As I said before, corporations haven't any objection to the intangible tax, not from my observation; their only objection is to the excessive rate. If the rate is reasonable, they are perfectly willing to pay, but they are unwilling to pay at the local tax rate, which runs as high as \$6.16 a hundred in Jersey City.

On this basis, an ad valorem intangible tax is recommended as follows: All intangibles to be assessed at true value by the State Tax Commissioner, naturally taking the control of the assessment machinery away from the local assessor completely, placing it in the hands of a State officer, preferably the State Tax Commissioner, and I would suggest the following rates:

Cash (including all bank deposits)—1 mill.

Mortgages and securities—2 mills.

Accounts and notes receivable and other credits (no deductions for debt)—3 mills, which would be the ceiling.

I placed accounts and notes receivable at a higher rate than mortgages and other securities. It is not exactly arbitrary. I feel the corporate taxpayers have become accustomed to, and accept the principle of, paying intangible taxes on accounts receivable. They haven't become accustomed to paying it on all forms of security. I mean by that you must do away with, eliminate, exemptions on New Jersey stocks, stocks of corporations wherein taxes have been paid in other States. It creates a hardship on assessing practice, it is unnecessary, it serves no purpose, and it certainly works no hardship upon the owner of a New Jersey corporate share of stock as distinguished from the owner of a corporate share of stock in any other State. That is the schedule I suggest generally to cover all forms of intangibles under State law.

In order to reduce administrative detail of the State Tax Commissioner to a minimum, it is suggested that absolute exemption of intangibles be allowed each taxpayer, corporate or otherwise, to the extent of \$5,000. That figure is fairly arbitrary; it might well extend to \$10,000. I don't know. From my experience, I think you should have a \$5,000 limit. I think you would shake out from the responsibility of filing these what will be complex tax returns—I think you would shake out the greatest mass of small businessmen and individuals who otherwise would be compelled by law to file a report on their intangibles. I further recommend—and I think this is most important—that before anything is done, all existing exemptions be thoroughly re-examined for the purpose of removing all but those which are deemed to be absolutely essential for the welfare of the State. Personally, I would think that at the most,

State, county and municipal bonds be exempted, and I don't think we ought to go beyond that at all. That is what has caused most of the trouble. Various interests from time to time have come before the Legislature and obtained exemptions on various forms of security, without regard for the interest of the State, but only with regard to the interest of those persons or corporations desiring the exemptions. I don't think it is fair. I think it has restricted our tax base in the State unnecessarily, and to some extent possibly occasioned higher rates.

Now, on the question of distribution, which I think is vitally important—the question of tangibles as well as intangible personal property—I suggest that one-half of the proceeds of intangible taxes should be paid to the State for the following dedicated purposes: first, for the payment of administration expenses; and, second, in reduction of so much of the State school tax as is possible. This of course will reduce local tax rates to the extent of such contribution made. The other half, I feel, should be returned to the taxing districts wherein the taxpayer is resident. In cases of corporations, the money should be paid to the taxing district wherein the principal office is situated.

The situs of the chief office of corporations, as distinguished from the principal office, should be no longer a determinative factor. With uniform assessments by the State Tax Commissioner, the incentive is gone to escape taxation by moving about the State. Consequently, the taxpayer should be permitted to choose for its situs that taxing district which offers the greatest advantages. And even in the case of intangible personal property, I want to point out that certain taxing districts are so situated geographically as to offer a most advantageous position to corporations desiring to locate their intangibles in the State of New Jersey by the establishment of a principal office or registered agent in New Jersey.

Specifically, I have in mind the city of Jersey City, which for a number of years has had a considerable number of some of the largest corporations in the country maintain their corporate situs in Jersey City. I don't think it is entirely accidental. I think it is entirely due to the advantageous geographical location of Jersey City. I think the fact that the greatest part of our corporate activities are conducted in the City of New York and that Exchange Place, Jersey City, is only three minutes away from downtown New York has contributed largely to the fact that these large corporations desire Jersey City in preference to other cities. If there is to be a meeting of the board of directors in New Jersey, these

busy executives in New York would prefer to come to Jersey City, which is five or ten minutes away from their executive offices in New York, than to come to Trenton, for instance, which would take an hour. I think for that reason the taxing district that offers those advantages which the corporation seeks should not be deprived of the proportionate benefits to be derived by reason of these intangible taxes. I suggest one-half go to the State and the other half to the taxing district wherein the situs of the corporate taxpayer is situated.

That doesn't end the problem of personal property taxation, as I see it, because I think an attempt to legislate upon intangible taxes exclusively, without any regard to the tangible personal property, will accomplish very little. The problem of taxation of intangible personal property cannot be segregated successfully from that of tangible personal property. Their problems are alike and differ only in degree. The levying of a confiscatory tax on tangibles may drive taxpayers to more sympathetic taxing districts just as in the case of intangibles. The taxation of all tangibles at the full local rate is impractical and works a hardship on the taxpayer. Particularly is this true in the taxation of inventories, as distinguished from machinery and equipment, whether comprised of raw materials, goods in process or finished goods. To tax these inventories at anywhere from five to six per cent of their full value is manifestly unfair. With respect to inventory, the manufacturer is taxed first. He completes the finished product. Then he passes the finished goods on to the jobber, who again is taxed at full rate, and thereafter the goods go on to the hands of the retailer, who is taxed for the same property, again at the full rates, which is entirely different from the machinery taxed once, remains at the situs, and produces more goods.

As a practical matter, most assessors ignore the law and assess such personal property on some arbitrary basis, usually far below the true value. An analysis throughout the State of the varying taxes paid upon inventories would produce a story of complete confusion. The merchant or manufacturer is at the mercy of the assessor. He is taxed too little or too much, and seldom uniformly. My experience is that local assessors treat the problem of tangible personal property on a purely hit-and-miss basis. They are neither equipped nor prepared for the problem, and the uniformity demanded by the constitution and statutes is shockingly disregarded.

Tangible personal property cannot be assessed properly unless it is administered by a specialized and efficient assessing department. Local assessors cannot do the job and they should be relieved.

It is suggested that any new intangible tax law be implemented and protected by a change in our present tangible personal property tax law. It is therefore recommended that the State Tax Commissioner also assess all tangible personal property at true value, and at the following rates:

Machinery and equipment—\$3 per hundred;

Inventory—\$2 per hundred.

In order to facilitate the administrative work without appreciable loss of income, it is recommended that: (a) all household goods and personal wearing apparel be declared exempt; (b) all tangible personal property be exempt to the extent of the first \$2,500.

And on the question of household furniture, it is very interesting to note that while in the County of Essex, particularly, I think the practice has been—my recollection of an examination of those books several years ago—to assess small apartment dwellers and small home owners at \$100, they properly allow \$100 statutory exemption, giving a gross of nothing, no personal tax at all. It gets nowhere. As a result, assessors dislike to assess household furniture and in many cases they don't. Coming to the City of Jersey City, it is interesting to note that until last year there was a small group of possibly thirty or forty residents of the City of Jersey City assessed for their household furniture. No one else in the entire City of Jersey City, with a population in excess of something like 300,000, was ever assessed for his personal property insofar as it concerned household furniture. Just this small group living in what we consider to be one of the better residential parts of the City was assessed, and nobody else. I think that was about as far away from uniformity as you could possibly get. Since that time, that has been corrected. Strangely enough, although the law provides that all personal property be assessed at true value, it is not assessed at all. I don't think there is an assessment on household in Jersey City today; I don't think it should be anywhere; nevertheless, the law requires it. When we speak of other cases where there is lack of uniformity in assessment of personal property, being a lawyer I know something of the taxation respecting law offices. It is absolutely ridiculous, in our city at least, because there we find the practice has arisen of taxing all law offices at a certain maximum. If you are John Milton, your assessment is three or five hundred dollars. Some fellow who just has his name on the door and gets around once a week, the chances are, gets the same three or five hundred dollars assessment. I don't think it makes sense. I don't think there is anything intentional about it; I think it is

bad practice arising because of lack of facilities in the hands of the assessor, either lack of facilities or lack of technical, experienced help, which is required in order to determine the true value of tangible personal property. I think for that reason all household assessments, as I said before, should be removed.

With respect to the exemptions, I referred to \$2,500. I don't think the State will ever get anywhere by going to all the administrative trouble and detail involved in assessing a small storekeeper who has a two- or three-hundred-dollar shoe repair shop, or a little barber shop. We have heard appeals in our county from a \$500 assessment, where taxpayers come in and try to prove a value of \$100 or \$125. A lot of time and effort is involved. The city can't afford to get experts to establish the value of such property, and in the long run it will get nowhere. The net result of personal property assessments of \$2,500 is negligible. Certainly, neither the State nor the taxing districts will be the losers by it.

It is also suggested that the tangible tax base be broadened by the elimination of exemptions upon all motor vehicles not constructed for purposes of pleasure. There seems to be no satisfactory explanation for the exemption of large and expensive motor vehicle equipment, such as concrete mixers, trucks, and similar property. The fact that a license fee is paid to the State is no justification, because, by the same token, we may have a grocer who pays a license fee to the city for the privilege of selling milk; yet we don't exempt the milk cans or the milk itself from taxation. I think we have a tremendous amount of very valuable equipment in the State, personal property, running around tax free just because of that provision which crept in the law some time ago—it possibly crept in before we had this type of elaborate motor equipment. Here we have concrete mixers, steam shovels, etc., tax exempt because they run on wheels, they are propelled as a motor vehicle and bear a license of the State, for which a small fee is paid to the State, all out of proportion to what the fee should be if the property were taxed as tangible property.

Now, as to distribution, after deducting a sufficient amount for administration expenses, the entire proceeds from tangible personal property taxes should be redistributed to the taxing districts wherein the property has its situs, which is just another way of saying the taxing districts will lose nothing by it other than the cost of administration, which will be defrayed by the State; it will be collected by the State before the distribution process takes place. I think that is the only fair way. I don't think there would be any

argument by anybody studying the situation. After all, the property is tangible, something real, to a certain extent it enjoys the municipal services situated in the taxing district under question, and the taxpayers of that taxing district should get the benefit of it in the local tax rate.

There is one other question, and that is the question of enforcement. I haven't gone into that in too much detail but I certainly think, in order to produce an effective personal property tax law, with respect to either tangible or intangible personal property, we have to have a complete new system of enforcement. I think enforcement has always presented a major difficulty in the assessment and collection of personal property taxes. Unless adequate penalties are provided for the enforcement of a new personal property law; an otherwise workable system may prove ineffective to a considerable extent.

Taxpayers should be taught to regard and abide by the laws requiring the filing of returns and upon their failure so to do, they should be severely penalized. In the case of corporations, it is suggested that failure to file a personal property return with the State Tax Commissioner should result in revocation of the corporate franchise. Individuals and partnerships operating under a trade name certificate should be deprived of that privilege upon failure to file returns, and as an added safeguard, taxpayers failing to file personal property returns should be subjected to a money penalty.

Needless to say, our present statute, which permits the arrest of a taxpayer for failure to pay personal property taxes, should be repealed promptly. It is neither workable nor enforceable, and I think it is entirely out of keeping with our modern concept of government in this day and age, and should be done away with.

That concludes what I have to say.

The CHAIRMAN: Thank you very much, Mr. Rosenblum, for your excellent statement.

Are there any questions, Gentlemen, that you care to ask?

Mr. VAN ALSTYNE: You mentioned a one-mill tax on cash. Are you familiar with that tax out in Illinois or Chicago, where they tax the cash on a certain day of the year, and the cash all goes out two or three days before and comes back the day after?

Mr. ROSENBLUM: Yes, I am.

Mr. VAN ALSTYNE: Don't you think the same thing would happen here?

Mr. ROSENBLUM: Yes, I wouldn't work on any assessment date. I think the cure for that is found in the present system we have for

taxing inventories by using an average for twelve months preceding the assessment date. That should be done in the case of cash. Of course, on the question of cash you have a simple method of enforcement. With adequate legislative safeguards, I think all banks could be compelled to produce confidentially to the State Tax Commissioner all records of deposits, and averages, for that matter. That will take care of that situation.

Mr. VAN ALSTYNE: Wouldn't most corporations leave most of the cash over in New York and use only a small amount in New Jersey?

Mr. ROSENBLUM: I think corporations physically located in Jersey City would retain their bank accounts in New Jersey. Those corporations that just retain a corporate situs there don't retain their deposits there. A one mill tax is an extremely small tax, and I doubt whether there would be serious objection to it.

Mr. GLICKENHAUS: You would leave the administration of the intangible tax to a State body?

Mr. ROSENBLUM: I would.

Mr. GLICKENHAUS: You would leave the administration of the tangible tax to a State body?

Mr. ROSENBLUM: That is right.

Mr. GLICKENHAUS: The only thing you would leave to the municipalities would be the imposition of a real estate tax?

Mr. ROSENBLUM: At the present time; that is right.

Mr. GLICKENHAUS: Then you find from your experience there are considerable inequities due to the fact there are certain exemptions which you consider should be repealed?

Mr. ROSENBLUM: That is right.

Mr. GLICKENHAUS: Now, as the tax situation is presently handled, the municipalities are charged through their tax assessors with the proper evaluation of both the intangible and tangible personal property, isn't that so?

Mr. ROSENBLUM: That is what the law is, yes.

Mr. GLICKENHAUS: You say that is more recognized in the breach than in the observance; cities have found it impossible to carry on a true valuation tax program from a city level?

Mr. ROSENBLUM: Unfortunately, that isn't the case. I think if all tax assessors operated on that basis, you wouldn't have the inequality and lack of uniformity. You would have uniform non-enforcement of the law, but unfortunately certain taxpayers are compelled to pay a full rate even upon their intangibles and others not.

Mr. GLICKENHAUS: If I recall correctly, you pointed out that in certain municipalities inventories are taxed at a certain rate, and others are taxed at a much higher rate.

Mr. ROSENBLUM: I don't think I said that. It is not the rate I referred to; it is the percentage of assessment with respect to true value that I referred to.

Mr. GLICKENHAUS: Yet the tax assessor is charged with the duty of evaluating at true value, isn't he?

Mr. ROSENBLUM: That is right.

Mr. GLICKENHAUS: You say the practice has grown up not to use full value but to set an arbitrary amount for the purpose of fixing the tax.

Mr. ROSENBLUM: That is true, too, to my knowledge.

Mr. GLICKENHAUS: If you vest that in the State, wouldn't that cause the creation of a very large department to handle the situation with respect to intangibles and tangibles?

Mr. ROSENBLUM: Well, it would be a large department but not an unwieldy department. It wouldn't be out of hand at all. You would merely substitute for the hundreds of assessors whom you today have in the State a skilled group, possibly the same number or a lot less, because assessors in small towns, I understand, work on a part-time basis. Some get five or six hundred dollars a year; they can't put in too much time for that. In their place, you would have skilled men who would devote all their time and experience to the job.

Mr. GLICKENHAUS: But the real difficulty is, with the present law providing for true valuation, that the assessors, if I get the picture right, don't perform their duties according to law.

Mr. ROSENBLUM: That is absolutely true; they don't. In the City of Jersey City—certainly you must be aware of the fact—in 1938 or the early part of 1939, there was a written agreement made to assess intangibles at three mills. Naturally, the law never provided for that. That was an arbitrary wilful violation of the law; yet it was done for the assigned reason that the practicalities of the situation required it. Corporations were going to leave the City, and it would be better to get three mills from the corporations than nothing at all. As recently as 1942, the tax books of the City of Jersey City to a limited degree had a breakdown of tangibles and intangibles. It is not broken down by title, nothing to indicate what it is, but I know eight or ten pages of one Jersey City book in one corporate district contains the names of what I think are only foreign corporations maintaining corporate situs in Jer-

sey City. I think it is about the best indication I can get of what intangibles were assessed as intangibles only, in Jersey City in that year. The final plan of the City was to have all the corporate taxpayers pay at the full rate, but to reduce the assessment itself from true value to the equivalent of three mills, so the amount on the books is only a fraction of what the true value would be. Then on that basis the taxpayer received a bill on the local property tax rate, and at that reduced figure in 1942 we had one group of corporations in the Jersey City assessment books assessed at twenty-three million some odd hundred thousand dollars, in round figures, which provided a tax at the present rate of \$1,400,000, approximately, actually paid. Unfortunately, you can't determine what other intangibles exist in the City definitely because of the practice to assess in one lump sum, including whatever tangibles or intangibles may be required to be assessed by law.

Mr. GLICKENHAUS: What I am trying to get at is this: As a matter of fact, the statute does provide a systematic process of tax assessment, but that systematic process is ignored and not performed according to the principle of law. That is a fact, isn't it?

Mr. ROSENBLUM: Yes, that is a fact.

Mr. GLICKENHAUS: So that the defect is in enforcement and the administration of the present tax laws as they are on the books today.

Mr. ROSENBLUM: That is right.

Mr. GLICKENHAUS: That is the defect in the whole structure?

Mr. ROSENBLUM: That is right.

Mr. GLICKENHAUS: In other words, they adopt arbitrary figures rather than proceed according to the assessment at true value as set forth on the books.

Mr. ROSENBLUM: That is so, but it must be remembered that that is not peculiar to personal property only; that is the practice also with real estate.

Mr. GLICKENHAUS: In other words, although the statute sets up a process of taxation, as a practical matter we have no system of taxation.

Mr. ROSENBLUM: That is right. There is no uniform system of taxation throughout the State.

Mr. GLICKENHAUS: In the administering of the law.

Mr. ROSENBLUM: Exactly.

Mr. GLICKENHAUS: Let me ask you this question: Mr. Baumann gave us some figures with reference to the taxes in Jersey City, naming two specific years. Is there any breakdown as to just what

—I am not referring only to Jersey City but to the whole county, for that matter—is there any breakdown by the tax assessors in filing their reports as to how much of the personal property tax is represented by tangibles and how much by intangibles?

Mr. ROSENBAUM: No, there is not.

Mr. GLICKENHAUS: There is not. Would you say it is therefore impossible to secure a figure on any city or county unit or municipal unit which would indicate just what intangibles are being collected in the State of New Jersey today?

Mr. ROSENBLUM: Well, I don't think it could be done with any degree of accuracy except, as I said before, some of the figures available in Jersey City will give some indication. You couldn't do it with any degree of accuracy unless the State Tax Commissioner or possibly the county tax boards might require at some future time that assessors, in submitting their books, furnish a breakdown between tangible and intangible personal property.

Mr. GLICKENHAUS: So, then, as of this date, it would be impossible, according to what you tell us here today, to determine, in the event of a repeal of the intangible personal property law, just what amount would be lost to the municipalities of the State by repealing that law.

Mr. ROSENBLUM: That is right. I don't see how you could possibly tell exactly. As I say, in 1942 we know this one group of corporations was assessed at \$23,000,000, in round figures, for intangibles only, and that assessment was predicated not upon the assessor's opinion of true value but on the basis of agreement and returns filed by the corporate taxpayers.

Mr. GLICKENHAUS: One of those considerations evidently was the non-removal of the taxpayer from the particular taxing district.

Mr. ROSENBLUM: That was, as I recall it, stated in the letter which formed the basis for the agreement.

Mr. GLICKENHAUS: In other words, there is no tax system. It is a system of taxation by treatment or negotiation.

Mr. ROSENBLUM: Exactly, in utter disregard of the existing law.

The CHAIRMAN: Could you give us any indication of the amount of money raised by Jersey City in 1943 from intangibles?

Mr. ROSENBLUM: I could do much better in 1942. Unfortunately, the figures are not available for 1943.

The CHAIRMAN: Well, give it to us for 1942, then.

Mr. ROSENBLUM: In 1942, from a single group of corporations, there was approximately \$1,400,000 raised on intangible property, just from this group. That by no means could be considered to be

all-inclusive; there were undoubtedly other corporations not included in the group, corporations that have physical situs in Jersey City as well as corporate.

Mr. GLICKENHAUS: In other words, Jersey City might well contend that \$1,400,000 in Jersey City alone was received from intangible taxes?

Mr. ROSENBLUM: In the year 1942, barring some items of uncollected taxes, I think every one of these assessments was made on the basis of the returns filed by the corporations. I don't think there is any question Jersey City collected this in 1942.

Mr. GLICKENHAUS: You might take it as a minimum.

Mr. ROSENBLUM: It would have to be a minimum. American Can Company has a large factory in Jersey City. Its assessment for intangibles would be included in another assessment unrelated to this particular group. In 1942 this undoubtedly was the minimum.

Mr. GLICKENHAUS: A figure has been advanced here this morning that the collection of intangible taxes in the State would run between a million and a half and two million one in the State. On the basis of those figures that you have given for Jersey City alone, you would say that figure of a million and a half to two million one is out of line?

Mr. ROSENBLUM: There is no question about it.

Mr. GLICKENHAUS: Is your plan of taxation on intangibles on a millage basis somewhat similar to the plan evolved by the Edison Committee?

Mr. ROSENBLUM: No, only with respect to the allocation of the State School Fund. In every other respect it is completely different.

Mr. GLICKENHAUS: Do you know of any particular illustration in the County of Hudson where any individual has been taxed on the basis of intangibles?

Mr. ROSENBLUM: Any other case?

Mr. GLICKENHAUS: Any case in the County of Hudson where any individual other than a corporation or partnership or firm has been taxed on intangibles.

Mr. ROSENBLUM: Yes, where the individual has conducted a business as an individual—not in many cases, but I think I know of some where an individual might run a large store or factory as an individual and is taxed on intangibles as well as physical property.

Mr. GLICKENHAUS: How about an individual who is just a resident of the county?

Mr. ROSENBLUM: No, I don't think there is any such case of an individual existing in the county.

Mr. STILLMAN: Is it your feeling such an individual should be taxed?

Mr. ROSENBLUM: No. It is my feeling he should not be. For that reason, I suggested an exemption of \$2,500 on tangible property, and \$5,000 on the intangibles. I think you would pretty well clean out anybody not engaged in some profitable enterprise. I don't think they should be taxed at all, that small group.

The CHAIRMAN: This figure of \$1,400,000 that you gave us, were those taxes paid by both holding companies and operating companies as well, or were they largely a matter of non-operating companies that had statutory offices in Jersey City?

Mr. ROSENBLUM: Companies having statutory offices in Jersey City.

The CHAIRMAN: You would say, as far as operating companies were concerned, their intangibles have gone practically tax free?

Mr. ROSENBLUM: I think they have gone tax free, or had gone until the early part of 1943, when the County Board of Taxation, acting upon our own initiative, increased the personal property assessments of industry in the City to the extent of about \$55,000,000, but that was actual net. Since that time, numerous appeals have been heard concerning those same taxes, and it does develop they do pay on intangibles as well as tangibles.

Mr. GLICKENHAUS: This minimum of \$1,400,000 in 1942 came from a group of taxpayers in Jersey City as a result of negotiation or otherwise?

Mr. ROSENBLUM: Right. It was a carry-over of the negotiations which were had in 1939.

Mr. GLICKENHAUS: Of that list of taxpayers, do you know how many moved to Flemington, the haven?

Mr. ROSENBLUM: No, that could be ascertained by a comparative check between the years of 1942 and, say, 1944, but whereas in 1942 these companies were all listed as a group, without regard to location, today they are all scrambled together. You would have to pick them out. The reason I picked 1942 was that in that year the City grouped all these intangible foreign corporations in a group of possibly six or seven pages, and all I had to do was add up the pages and get the result.

Mr. GLICKENHAUS: Is that the year in which tax lightning struck?

Mr. ROSENBLUM: No, the latter part of 1938 was the year in which real tax lightning struck.

Mr. GLICKENHAUS: Would you say the intangible tax from 1938, as levied and collected by Jersey City, has been constantly on the downward trend?

Mr. ROSENBLUM: No question about it, but I don't think the taxes have left the State. They are in the State but not in Jersey City.

Mr. GLICKENHAUS: When could we get some figures as to what intangible tax was received by Jersey City in the year 1943?

Mr. ROSENBLUM: I couldn't furnish you with information with respect to the actual collections. It is only the levy our records are concerned with.

Mr. GLICKENHAUS: Could we get from you the amount of intangible tax levies made on corporations since 1942, so as to indicate whether or not these corporations have removed from Jersey City?

Mr. ROSENBLUM: We could do this: Take the original 1942 list and make a comparison with 1944, and just note the name and amount of any corporation appearing in 1942 that does not appear in 1944. I can tell you the result of a tax appeal by the Eastman Kodak Company a few months ago. They testified they moved to Flemington, as I recall it, and their assessment of approximately a million and a half dollars was voided by our board because they had removed, according to testimony, prior to the assessment date of October 1, 1943.

Mr. GLICKENHAUS: Was Eastman Kodak one of this group of corporations that paid \$1,400,000 in 1942?

Mr. ROSENBLUM: That is right; it was.

Mr. GLICKENHAUS: Their assessment was a million and a half in 1944?

Mr. ROSENBLUM: That is right; in 1942, 1943, 1944.

Mr. GLICKENHAUS: That was the great compromise?

Mr. ROSENBLUM: That is right. If you multiplied that by seventeen to twenty times, you would have what their records indicate a true value to be.

Mr. GLICKENHAUS: The \$1,400,000 removed to Flemington may have been reduced to a much smaller amount, so far as intangible taxes paid in Flemington were concerned.

Mr. ROSENBLUM: That is right, but of course that was a three mill tax, and any other taxing district would charge three mills—no more; the same amount of taxes would be paid by those corporations.

Mr. GLICKENHAUS: You feel that through your plan, the inherent fault in our system, permitting corporations to move hither and yon throughout the State, would be corrected?

Mr. ROSENBLUM: I feel quite certain of that, sir.

Mr. GLICKENHAUS: How does that, from your knowledge, compare with the treatment of such corporations in adjacent States?

Mr. ROSENBLUM: Well, I think it was the State of Ohio—which hasn't a comparable plan; I think their intangibles are assessed on the basis of income securities produced; I think that is the basis of the system—I think the records show that whereas about three to five per cent (I am not sure of those figures but I know it was a negligible amount) of the personal property in the State was assessed as intangible under the old tax, when they changed their law the intangibles reported amounted to something like forty-five or fifty per cent of the total personal property of the State. I think that has been the experience of other States that have shifted over to a special rate law.

Mr. GLICKENHAUS: Wouldn't you treat holding companies on a special basis on intangibles, or would you treat them in a general classification?

Mr. ROSENBLUM: I think the rate is so low as to warrant treatment of all corporations on the same basis.

Mr. GLICKENHAUS: Most of these corporations in Jersey City were holding companies, weren't they?

Mr. ROSENBLUM: No. Some were and some were not. I don't know the extent of the holdings, say, of the Eastman Kodak Company. It is primarily an operating company. They moved to Flemington. I feel quite sure that the main company assessed was the operating company.

Mr. GLICKENHAUS: Thank you very much.

Mr. VAN ALSTYNE: Have you made any estimate at all as to how much money you think this system of taxation you suggest would raise?

Mr. ROSENBLUM: No, I haven't, except I only have it upon hearsay. Several years ago I was given to understand that something between two and three mills should produce about twenty some odd million dollars. I don't know of my own knowledge. I would have to check that.

Mr. VAN ALSTYNE: Have you made any estimate at all as to how much you think is being collected in intangible taxes throughout the State now?

Mr. ROSENBLUM: I have no idea. If I recall correctly, a substantial amount is collected in Newark, and of course we know Flemington collects a substantial amount. Beyond that, I don't know. I can cite this experience of one company, the American

Can Company appeal: the American Can Company files a return assessed in the Borough of Flemington at \$15,000,000 for intangibles, which they pay at the Flemington local rate. That may be thirty, forty, fifty million dollars, possibly, at true value. Certainly, if they can afford to pay at the local rate a \$15,000,000 assessment, they can pay \$15,000,000 at an average two mill rate. They actually report \$15,000,000 and pay upon it down there.

Mr. GLICKENHAUS: What is the present Flemington rate?

Mr. VAN ALSTYNE: Seventy-five cents.

Mr. ROSENBLUM: I suppose \$8 a thousand—75 cents to a hundred dollars. I think it fluctuated the last time I looked, but that is considerably higher than the rates proposed on a millage basis.

The CHAIRMAN: Any further questions, gentlemen?

Thank you very much, Mr. Rosenblum.

Mr. WALSH: That rate is 43 cents in Flemington this year.

The CHAIRMAN: Is Mr. Kennedy or Mr. Battersby of the City of Elizabeth present? (No response)

The Commission has received a statement by the New Jersey Taxpayers Association, which will be made part of the record, and the statements submitted by the State Banking Association and the State Chamber of Commerce will be made part of the record.

Is there any other group or individual who desires to be heard before the Commission this afternoon?

Mr. WATSON: Mr. Chairman, would it be in order for me to comment upon some of the statements that have been made to the committee by the last speaker?

The CHAIRMAN: We will be glad to hear you, Mr. Watson.

**Statement of Russell E. Watson, Counsel, New Jersey  
State Chamber of Commerce**

Mr. WATSON: In the first place, gentlemen, Mr. Rosenblum advocated the assessment of real estate mortgages for taxation. Let me get some figures, if I may. It was my honor and privilege a few years ago to serve on a committee which made a statistical study of tangible and intangible property in New Jersey. I served under the chairmanship of the chairman of this committee. Of course, a statistical study of this kind results in figures which might be right within a billion dollars, more or less. A billion dollars isn't much of an item under such circumstances, but this committee concluded on the basis of the best information that was available that there were in New Jersey intangibles of a value approximately of \$9,376,851,000—this was in 1939—of which a little more than \$3,000,-

000,000 were taxable, and something more than \$6,000,000,000, six billions and a quarter about, were exempt. It seems to me, in the first place, that it is impossible to base any sound scientific new structure upon a foundation which is so vulnerable as that. And, as your committee is considering this subject, I know you will be realistic and have in mind what has preceded your effort. There is nothing new about this in New Jersey. This is the fourth undertaking of this kind. The inconsistencies of the present system of exemptions and taxable exemptions have been commented upon. They are obvious. Why have these six billion dollars of intangibles been exempted? Usually for good and sufficient reasons—in the large category, certainly, for good and sufficient reasons.

Let's take mortgages, mentioned by the last speaker, as an illustration. Mortgages were exempted in the first instance because it is double taxation. Take the case of a real estate owner who owns a piece of property with a value of \$25,000. It is subject to the real estate tax. He gives a mortgage for \$15,000 and that, prior to the exemption, was subject to the personal property tax—both taxes supported by the same original piece of property, and that is why in the first instance, for very good and sufficient reasons, mortgages were exempted, and likewise the stocks of domestic corporations were exempted. It is multiple taxation.

The last speaker was very solicitous about the double taxation of inventories, as I understood him. I was sitting over there and couldn't hear all the colloquy between him and Mr. Glickenhau, but he was very solicitous, as I heard him, about the double taxation of inventories. He said inventories in the hands of the manufacturer are taxed; go into the hands of the wholesaler and are taxable; and into the hands of the retailer and are taxable. There is no difference in principle between this double taxation of tangible inventories and an intangible mortgage, so that seems to me to be a rather glaring inconsistency in this plan.

Now, then, consider the plight of real estate, of which we hear so much, and with a great deal of merit, if mortgages were to be removed from the exempt class. Mortgages compete for investment with other securities, and if mortgages are taxed, the competitive price of mortgages in the investment market will rise, all to the detriment of the real estate owner. Finally, under economic competition, that burden will find itself added to the present burden of the real estate owner.

I would like briefly to refer to another inconsistency in the statement of the previous speaker. It was suggested that intan-

gibles should be locally assessed at a maximum millage rate, so that each locality may enjoy whatever geographical or other advantages it might have. But in the same presentation, it is urged that tangibles be State assessed and subjected to a State collected tax. Why? There was only one reason advanced: local assessors are incapable of assessing tangible personal property; they lack the business experience—the economic judgment—whatever they lack, they are incapable of doing it. If local assessors are incapable of assessing tangible personal property, how can they possibly possess the capacity to assess intelligently, adequately, justly, intangible personal property? I suggest, gentlemen of the committee, it requires more, infinitely more, business experience, judgment, data, figures, to assess intangible property than to assess tangible property.

Mr. GLICKENHAUS: Wasn't it Mr. Rosenblum's idea that both be vested in the State?

Mr. WATSON: Oh, then I withdraw that. I understood him to say that the intangible tax would be locally assessed.

Mr. GLICKENHAUS: No, he wants them both assessed by the State, administered by the State, and enforced by the State.

Mr. WATSON: Then I withdraw that; I misunderstood him; and I stand upon the first inconsistency. Really, gentlemen, there are two fundamental reasons for abolishing the taxation of intangibles: first, the present system has been demonstrated a failure; and second, taxation of intangibles is multiple taxation. Tangibles are mobile, move from place to place according to competitive situations.

I withdraw the second point and come to the third, and that is the Ohio system of a maximum millage rate. Ohio and New Jersey are two entirely different territories. Ohio is a self-contained economic unit. It has a Federal Reserve Bank at Cleveland, I believe. It is a trading economic center. The nearest Federal Reserve Bank, I believe, is at Chicago, over 300 miles away. It isn't so easy for intangibles to move from place to place there. Ohio isn't subjected to competitive stresses and strains such as we have in New Jersey. New Jersey is not an economic trading unit. It is divided into two. Northern New Jersey is a part of the New York Federal Reserve System. Southern New Jersey is within the territory of the Philadelphia Federal Reserve Bank. It is a corridor between two large metropolitan areas, where it is very easy for intangibles to move from place to place, according to the advantages of other districts. In New York, cash on deposit is not assessed. In New York, trust

funds are not assessed. New York is making a drive to get that kind of business, and under such a system as this, it would get it, and get it from New Jersey. Ohio and New Jersey cannot be compared. They are distinctly different situations.

Finally this observation, gentlemen, and then I am through: every proposal that was made by the last speaker—I think every proposal without exception—individually or in combination, has been proposed, submitted, in three prior efforts of this kind, all of which failed, gentlemen, and they all failed because they attempted to do too much. This is a broad subject—tangibles and intangibles, what shall be done, what form should a substitute take?—combine the three, and so much resistance will be aroused, so many toes will be stepped upon, there will be so much opposition that there is a grave chance, a probability—there is more than a possibility; there is a probability—that this effort, like its three predecessors, will fail.

It is the part of wisdom to treat taxation of intangibles as a separate subject by itself. Solve it in some equitable way in accordance with the best interests of the State of New Jersey. Then undertake the solution of the problem of tangibles. Solve that in the same way, and move to the subject of a replacement tax, also as a separate individual subject. That is the strategic way to attack this problem, and that is why the State Chamber proposes a very simple program: abolish the taxation of intangibles; substitute for it an increased franchise tax. Why? Because the increased tax would be borne by the group which would be relieved of what is now mainly a potential intangibles tax.

We say about a million and a half, a million six hundred thousand dollars. Where do we get the figures? It has been suggested that they are too low. Two competent men made spot checks, went to a good many assessors, inspected their books, and asked them, "How much do you get from your intangibles?" It is common knowledge there is no separate taxation of intangibles. I think we all concluded the amount realized from the assessments of intangibles is comparatively little. A million and a half, a million six, is the estimate of the assessors who made this spot investigation, and it is probably nearly right. As to these corporations, this group of 22 or 23 corporations appearing in the Jersey City book of 1942—and remember, that is four years ago—that was the assessment as of October 1, 1941—those sheets are available; they are in circulation. Our committee has a copy of that sheet, but nearly all—probably all—of those cor-

porations have since left Jersey City and are now residing at Flemington. I think that is a safe assertion, that nearly all of them are there. Mr. Berger has a list of them. There are 50 or 51 in Flemington, another group in Rockland, and others elsewhere. But to sum up the taxation of intangibles in New Jersey, it is not feasible, it will be self-defeating, it will not produce revenue, it will deter new business from locating in this State, and it isn't realistic, Gentlemen, to attempt to confuse this problem with the solution of other problems, related though they be. We stand upon our plan as feasible, with the virtue of simplicity, and we urge it very strongly upon your committee.

The CHAIRMAN: Any questions, gentlemen?

Mr. JOHN F. O'BRIEN: I know it is a little out of order, but I am wondering whether it would be possible for me to ask Mr. Watson a question.

The CHAIRMAN: If Mr. Watson has no objections, Mr. O'Brien—

Mr. O'BRIEN: Mr. Rosenblum made the statement it was his judgment that corporations as a whole would not object to a low millage tax on intangibles. Do you agree with that?

Mr. WATSON: Do I agree with it? I disagree with it most strongly.

Mr. GLICKENHAUS: I didn't hear your statement, John. Would you mind repeating it?

Mr. O'BRIEN: Mr. Rosenblum, several times during his talk, made this statement: in his judgment, corporations as a whole would not object to a low millage tax on intangibles in substitution for the present tax at local rates. He is an experienced taxing official and it is assumed he has been in touch with a great many corporations in his area. I asked Mr. Watson, as a representative of business interests, whether he would agree that corporations would accept a small millage rate in order to eliminate this fear of tax lightning. He said he would disagree.

Mr. WATSON: I disagree, and I would like to state the reasons, through the committee, to Mr. O'Brien, if I may. In practice, as we just said and as it appeared by the very frank, persuasive statement of my good friend, Mr. Anthony Dailey, from my home town, New Brunswick, the intangibles tax is not now applied except in a few districts, where it has been and still is, I guess, in some, indiscriminately, arbitrarily and inequitably applied. The consequence of that situation is that a low millage tax would be in effect a new tax upon the great mass of owners of intangibles, whether they be corporate or individual, and in this day of high taxation,

federal income taxation, State taxation, taxation of other kinds, any new tax will be resisted. I don't know from what experience the last speaker spoke but I have been associated, Mr. O'Brien, with two of the three previous efforts, with one directly and with one indirectly but sufficiently closely to have an opportunity to observe the reaction to which I have just referred. Of the 565 taxing districts in New Jersey, in 560 the intangibles tax is unknown except as a deterrent, a potential hazard of tax lightning. In those districts, it will be resisted vigorously, and any effort to enact such a tax will result in the opposition and contention of which I have just spoken, and I believe will doom to failure any effort which this committee might make.

Mr. GLICKENHAUS: Mr. Watson, two theories seem to have been presented here. One is the broadening of the tax base through State administration of the intangible tax, and the other seems to be a further restriction of the tax base through the elimination of the intangible tax and the substitution therefor of an increased franchise tax. Do you contemplate any further step, or does your committee have in mind any further step in the event that the intangible tax were removed and the substitutionary franchise tax imposed?

Mr. WATSON: That is as far as our committee goes.

Mr. GLICKENHAUS: Your thought is that the replacement is merely to replace that which is lost through the ineffective and non-enforced intangible tax.

Mr. WATSON: No, we propose to replace the revenues actually produced by the tax now, as nearly as it can be estimated.

Mr. GLICKENHAUS: So there is a difference in the two philosophies presented here. One is really to replace a narrow tax base, and the other is to widen the tax base through an enforceable intangible tax. That is what it results in, your theory and Mr. Rosenblum's.

Mr. WATSON: I don't understand you. Which is mine?

Mr. GLICKENHAUS: Your theory is that of the narrowing and replacement; in other words, the elimination of intangibles and their replacement.

Mr. WATSON: You can't say a tax base is narrowed when an inequitable, unenforceable, self-defeating tax is abolished and another tax is imposed to take up the same burden. There is no narrowing.

Mr. GLICKENHAUS: I used the word "narrowing" in the sense that you are eliminating a certain tax base which at present exists.

Mr. WATSON: But we are substituting an increase of another tax which would fall upon the same group. With respect to this widened tax base, Mr. Glickenhaas, you are a member of the Legislature; you were there last year when Governor Edison's bill was introduced—as my colleague, Mr. Corbin, said, the only bill that was introduced—that bill proposed to do many of these things. It never got out of committee.

Mr. GLICKENHAUS: That is why I asked Mr. Rosenblum whether in a lot of respects his plan wasn't similar to the Edison bill.

Mr. WATSON: In principle, the Edison bill undertook tax replacement, a widening of the base; it would include the taxation of mortgages, remove some of the present exemptions. It was not like his, didn't go as far as his, in some respects.

Mr. GLICKENHAUS: That was supposed to be a replacement tax, too.

Mr. WATSON: That is right. It failed.

Mr. GLICKENHAUS: But if I remember correctly, the talk about that was that Mr. John Jones, average citizen, doesn't know anything about a possible intangible tax on his individual assets. Under the Edison plan, if I remember correctly, he would have to report, in excess of a certain amount, a tax on his intangibles.

Mr. WATSON: Mr. Rosenblum proposes the same thing, except he would fix an exemption of \$5,000; all individuals owning more than \$5,000 of intangibles would have to report. Our committee predicts confidently, gentlemen, that at this time what is in effect a new and additional tax is not capable of enactment. Let's do what can be done. We have a remedy here. We have an evil here to remedy.

Mr. GLICKENHAUS: In other words, you could never convince Mr. John Citizen that which is supposed to be a replacement tax under the Rosenblum plan isn't in effect a new tax.

Mr. WATSON: It is additional money he has to pay. It isn't replacement taxes to him.

Mr. GLICKENHAUS: I see your point.

The CHAIRMAN: Thank you very much, Mr. Watson.

Is there anyone else who desires to be heard at this time? If there is no one else, the hearing will recess for the day and will reconvene tomorrow morning at 10:30.

[Whereupon at 4:30 P. M. a recess was taken until 10:30 A. M., Thursday, November 30, 1944.]

STATE OF NEW JERSEY

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COMMISSION ON TAXATION OF INTANGIBLE PERSONAL PROPERTY

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THURSDAY, NOVEMBER 30, 1944

ASSEMBLY CHAMBER  
STATE HOUSE  
TRENTON, NEW JERSEY

The Commission met at 10:30 A. M., pursuant to recess, in the Assembly Chamber, State House, Trenton, New Jersey. Dr. John F. Sly (Chairman) presiding.

Present: Dr. John F. Sly (Chairman), Senator David Van Alstyne, Jr., Assemblyman Jacob S. Glickenhau, W. Paul Stillman.

Also present: James A. Arnold, Jr., and William Miller, research consultants to the Commission.

Absent: Norman F. S. Russell.

The CHAIRMAN: The meeting will come to order, Gentlemen. There have been four groups scheduled to appear before the Commission this morning. The first scheduled is the New Jersey Association of Real Estate Boards; the second is the New Jersey Education Association, which has asked to appear this afternoon in preference to the morning period; the third, the Board of Commissioners of Assessment of the City of Camden; the fourth, the Newark Chamber of Commerce. Are representatives of the New Jersey Real Estate Boards here? (No response) Are representatives of the Board of Commissioners of Assessment of the City of Camden here? (No response) Are representatives of the Newark Chamber of Commerce here? (No response) Is there anyone else who cares to appear at this time to make a statement to the Commission? (No response)

Mr. KELLOG: May I rise to a point of inquiry? If no one appears this morning, will there be a session this afternoon?

The CHAIRMAN: Yes, there will be a session this afternoon. I assure you something will happen this morning as soon as one group arrives. I feel confident they will appear this morning. If there is any group here that is scheduled for this afternoon that cares to appear this morning, we will hear them this morning.

Mr. KELLOG: We prefer to wait until this afternoon.

The CHAIRMAN: A suggestion has been made by the Commission that we recess until we obtain a client. The chair declares a recess until a client appears.

[Whereupon a recess was taken at 10:40 A. M., the Commission to reconvene upon call]

The Commission reconvened at 11:25, pursuant to recess.

The CHAIRMAN: The meeting will come to order. Mr. Schroeder, Director of the Hoboken Chamber of Commerce, wishes to make a statement before the Commission. Mr. Schroeder.

**Statement of Rudolph Schroeder, Director  
Hoboken Chamber of Commerce**

Mr. Chairman, I want very briefly to outline the objections which the Hoboken Chamber of Commerce has to the intangible personal tax. The Hoboken Chamber of Commerce is opposed to the intangible personal tax because it believes that it is double taxation. It is double taxation and, therefore, inherently vicious, in our opinion. Intangible personal property is usually evidence of the ownership of the holder's tangible property elsewhere. Stocks of corporations, for instance, are nothing more than the holder's evidence of his ownership in the physical assets of the issuing corporation. Those assets are taxed wherever they may be, and if stock in the hands of the holder is again taxed, the same assets are bearing the burden twice. The tax could readily be applied to a third and sometimes is. Witness the corporations removing their offices from Jersey City to Flemington, for instance.

The Hoboken Chamber of Commerce further considers that the tax is discriminatory. It is discriminatory in that real estate throughout New Jersey, as in other States, is usually assessed for the purposes of taxation not at its actual market value but at some fraction of its market value, while, on the other hand, a corporation which makes the report contemplated by the statute and shows the market value of its intangible personal property is assessed for the full value on such report.

Now, I don't mean to imply that the real estate throughout New Jersey, as in other States, is assessed [at a fractional value]. When I speak of a fraction of its value, I don't mean twenty, thirty, forty or fifty per cent but I mean something less than one hundred—whereas the assessment of a corporation is one hundred per cent if it files one of the reports contemplated by the statute. It is also discriminatory in connection with its application to decedents' estates not only in comparison with the taxation of real estate but because of its inequitable application. The estates in process of administration are taxed by municipalities in only two, possibly three, counties of this State, and then only in some municipalities in those counties. It puts business in those particular counties at a disadvantage as compared with other counties who do not impose tax on decedents' estates, and to impose tax on decedents' estates is in effect imposing an inheritance tax. In order to assist certain taxing authorities in certain municipalities where the practice has been to tax decedents' estates, there was introduced in the Legislature a few years ago a bill which had for its purpose the opening of the books of the State Inheritance Tax Department to the taxing authorities, making it in effect a public record. If that bill had passed the Legislature and become a law, it would have enabled the taxing authorities in these particular municipalities to examine the records from time to time and in that way impose a tax on decedents' estates, and to that extent would have been further discriminatory with respect to the residents of those particular municipalities of those particular counties. It was in no way uniform. Fortunately that bill did not pass and apparently the records of the Inheritance Tax Department are secret up to this time. The Chamber is opposed to it on the ground that it results in the loss of business.

New Jersey is essentially an industrial State. It is from industry either directly or indirectly that the State gets its revenue and the people their livelihood. We must not forget that our State is in direct competition with neighboring States. I am informed that New York has no tax on intangibles, neither Pennsylvania, Connecticut or Delaware. The disastrous effect of attempting to impose taxes on intangibles of corporations having their principal offices in this State was clearly shown a year or more ago in a municipality in Hudson County by the mass movement of those corporations to the rural district of the State, some even leaving the State and moving their principal offices to Delaware. It is not good business to permit a statute to remain on our books which produces such unfortunate results. The Chamber is further

opposed to this tax because of the difficulty of collecting it. It is impossible to apply the intangible tax equitably. Any man having any sizeable fortune would readily change his residence to a city where the tax is not imposed. In addition, if taxed a man has no redress. It is discriminatory and liable to abuse.

Basically a tax is imposed to pay for the cost of government and should bear some relationship, no matter how remote, to the service rendered. For instance, a late resident of a certain municipality, left a very sizeable estate running into several millions of dollars. He lived very modestly. I don't know that he owned the house in which he lived. If he did, its market value could not have exceeded seven or eight thousand dollars. Yet this man lived in this municipality for years and not only his neighbors did not know what he had but his attorney did not know. When he died, his particular municipality imposed a very large inheritance tax on his estate in the neighborhood of some \$50,000. There was no relationship to any conceivable service that that municipality could have rendered to that resident. On the ground that there is no relationship between the service rendered and the tax imposed, to that extent it is discriminatory and difficult of collection.

About fifteen years ago I had occasion to investigate some of the phases of the imposition of this tax, and my investigation led me to Newark, and I was reliably informed, Mr. Chairman—and this seems almost impossible—that a certain trust fund held by an individual who perhaps was not in the graces of the taxing authorities at that time—a \$40,000 trust fund—and that trust fund was assessed \$40,000 on the basis of a tax of \$4.00 a hundred or \$40.00 a thousand. There was nothing left for the beneficiary. How the matter was finally disposed of, I don't know. It indicates, Mr. Chairman, how this tax not only is discriminatory but it is subject to abuse and may be the instrument of oppression.

I might digress for a moment just to remind ourselves that the government of municipalities is no longer a catch-as-catch-can arrangement; it is a science. Therefore, Mr. Chairman, when municipal government in America has failed and is failing and does not produce the results that the ordinary citizen is entitled to, and politics in municipalities is reduced to a science, this particular tax, Mr. Chairman, is all the more vicious—it is all the more desirable to remove it from the statute books and to make it impossible to use it as an instrument of oppression.

Summarizing our position, Mr. Chairman, very briefly, we are opposed to this tax first on the ground that it is double taxation; second, it is discriminatory; third, it is bad business because it

discourages the location of new industries in this State; fourth, because of the difficulty of its collection, and, fifth, because of its inequitable character, its liability to abuse, and it, therefore, should be abolished. Thank you.

The CHAIRMAN: Any questions, Gentlemen?

Senator VAN ALSTYNE: If we eliminated the intangible tax, it will result in the loss of certain funds for these municipalities, and I am asking Mr. Schroeder if he has given any thought to what might be done to substitute those funds.

Mr. SCHROEDER: I am uninformed as to the amount that these various municipalities have received by reason of the imposition of intangible tax. The Chamber which I represent has no suggestion to make to substitute another tax. We believe that these municipalities should economize, and there is no reason why they should not. We all can possibly remember the day when the State of New Jersey was free of tax not so many years ago. I think that we ought to get back to the old fashioned basis of economy, and I think the municipalities ought to reduce the cost of government, and if this tax is removed, I believe they would economize. I have no suggestion to make as a substitute.

The CHAIRMAN: Thank you, Mr. Schroeder. We have representatives of the Newark Chamber of Commerce with us this morning; Mr. Thayer Martin, I believe, is the spokesman. We are very glad to have you here this morning, Mr. Martin.

**Statement of J. H. Thayer Martin, representing the Newark Chamber of Commerce**

I will not attempt to go into a very long discussion of the tax problems. I think we can assume your Commission is pretty well acquainted with it. I have been asked by the Newark Chamber of Commerce to present a specific point of view. That Chamber desires to see the present intangible tax abolished not because Newark business as represented by that Chamber wishes to dodge any fair share its members should bear of the tax burden, but because the Newark Chamber feels that the present tax, both tangible and intangible personalty, is a very serious detriment to the welfare of the State as a whole and to other taxpayers. The Newark Chamber feels that a revision of the taxation of personal property, both tangible and intangible, is essential if the State's industry is to expand and furnish the opportunities for employment which everyone realizes as necessary today.

I don't need to tell you what tax lightning is, nor how prevalent it is in New Jersey. You have heard that; you know it yourself; you have heard it doubtless from speakers that have been here before me. There isn't any possibility of expansion of business in Jersey after war industry has subsided with this threat of tax lightning hanging over the State. All business enterprises throughout the country know of the Jersey tax lightning and, as you know, they are afraid to come to Jersey. A few war industries have come in because that is a temporary proposition and the tax question isn't serious in a war contract. Just as soon as the war activity is over and the State looks for opportunities for employment from normal business activity, everyone recognizes that there won't be enough opportunity for employment unless the business, the industries of New Jersey expand. New Jersey has many advantages to offer industry, but industry won't come to Jersey while this danger of tax lightning is in the air, and the present industry of Jersey won't expand while this threat is hanging over its head. Now, of course, to abolish the tax on intangibles would remove a large part of the threat, but the tax on tangible property is subject to exactly the same dangers, and particularly in Newark the danger of that form of tax lightning is just as disturbing to business as is the threat of the intangibles. For that reason, because the Newark Chamber of Commerce feels that the entire tax lightning threat should be abolished, the Newark Chamber hopes that the Commission will realize that the question of taxation of intangibles can't be well-separated from the taxation of tangible personal property that is devoted to business. The Newark Chamber does not feel that it is any part of its province to recommend to this Commission what should be done with respect to the taxation of property owned by individuals and not used in business, because that isn't part of the function of the Newark Chamber. Of course, your Commission is interested in the whole problem, but the Newark Chamber is not expressing any opinion on how you should treat the individual holder of intangible or other personal property.

The Newark Chamber believes that the proper solution of eliminating the present method of taxing personalty lies in some State-administered tax which will treat all property of like class throughout the State on the same or exactly the same basis—all property, that is, that is devoted to business use. The Newark Chamber believes there is no constitutional difficulty in classifying personal property according to whether it is used in business or is held out of business by private individuals. There are several

forms of substitute taxation that might be recommended by your Commission. The Newark Chamber would be satisfied with whatever one the Commission feels has the best chance of being adopted, because after all, unless your recommendations are going to be enacted into law, they won't accomplish the purpose that we all have in mind, the creation in New Jersey of a tax setup where business can know what its tax is going to be. Business realizes the amount of the tax itself is not so important as the certainty. Business has to make its plans long years ahead and can't take the chance of tax lightning.

Now, of the different forms of substitute tax that can be recommended, each one has some advantages and each one has some disadvantages. There are certain principles, however, that the Newark Chamber feels should be applied to any substitute you recommend. Of course, if you recommend a State-administered *ad valorem* tax, the rate should probably be different on tangible property from intangible. If you recommend a tax on the net worth of business, you have to make an exemption or a deduction from the net worth of any real property, that is, the assessed value of any real property included in the computation of the net worth. In any form of substitute tax, you have to provide special treatment for purely holding companies because of the very practical reason that if they are taxed the same as companies that have tangible property in the State, they simply will say, as I say in the memorandum I filed with you: "We will fly out the window." Whatever the form of tax, the Newark Chamber believes that the minimum rate that is recommended should be sufficient not only to replace the entire amount that is being collected today from personalty throughout the State but to afford a sufficient leeway for some increase in the cost of government that we all assume will follow, whether we like it or not. We have to be realists and recognize that unless the cost of living goes down and unless the wages of labor employed in business go down, the wages paid to public employees will have to be raised somewhat. Therefore, any substitute tax ought to allow some margin to cover that differential. The maximum rate, of course, should be no higher than such figure as the Commission finds can be paid without driving business out of the State. We hesitate to talk about the distribution of the substitute tax. The Newark Chamber does not feel that the location either of the home office of a business or the location of its factory or what not is the sole basis on which distribution or allocation of the substitute tax should be based, and, therefore, the Newark Chamber does believe that the best permanent basis of

allocation is to place the substitute tax—use that, in the reduction of the school tax in order that the benefits may be spread over the entire State, as any going business affects the entire State.

Some cases—I might mention the electric power plant down in South Jersey on the Delaware River, I forget for the moment the name of the municipality where it is located—I understand that practically every worker in that plant lives in an adjoining municipality. The plant itself is in the municipality but has practically none of the workers. Obviously, it is not entirely fair that the entire tax on that company should go to the place where it has its being. For that reason, the Newark Chamber does believe that the fairest distribution is by placing the substitute tax in the school fund. It is possible—looking at this from a practical point of view—that such method of distribution might in a few municipalities result in their getting less than they are getting today. If that is so, then that can be corrected by providing that for the first year of operation, each municipality should receive under the new tax, substitute tax, no less than it has been collecting in the past from taxation of personalty, and then that allocation could be gradually tapered off over a period of years until that municipality was simply getting its share under the State school tax. I don't believe there would be very much difference in any municipality because those municipalities that are now taxing personalty the heaviest are the municipalities that have the largest number of school children and, therefore, the largest amount of State school tax. So it is probable that there is not a very serious problem there. But the Newark Chamber does not wish to stress the manner of the distribution of the tax.

The Newark Chamber does not quarrel with any of those organizations that asked you to take a single small step on abolishing the tax on intangibles. If that is the most that you think can be adopted at this time, why, it is very much better to take that step than not to take any. The Newark Chamber does not believe that that of itself will furnish the aid in the way it could be furnished if you eliminated both types of present taxation of personal property.

The Newark Chamber, therefore, hopes that this body, after suitable discussion with members of the Legislature to ascertain the Legislature's attitude, will feel it can recommend a solution of the whole problem because unless the entire tax lightning can be eliminated, each one of you know, as every man in business knows, that business will never feel free in Jersey to expand and business will never feel safe to come to New Jersey in sufficient

volume to furnish the facilities for employment that it ought to furnish. The present danger of tax lightning is a serious handicap to the prosperity of the State of New Jersey, and the Newark Chamber is not asking that taxes on its members be reduced. They still are willing to pay a reasonable tax but they want the law to be in such shape that they can know in advance what that tax is going to be and not have to wonder from month to month whether there will be a sudden flash of lightning that will perhaps wipe out individual industries.

I understand the Commission has just been furnished with a letter that is being sent out to taxpayers in Newark, business taxpayers, informing them that tax lightning is still ever present. Newark is trying to meet the problem. The Newark City Government is trying to meet the problem in a way that will minimize the tax lightning, but even if it minimizes it, the threat still is there and new industries will continue to be afraid to come to Newark or any other place in the State in the way that it would come if you will eliminate this danger of tax lightning.

The Newark Chamber does not want to attempt to go into any greater detail in its recommendations. If there are any questions that the members of the Commission would like to ask me as an individual, I will be very glad to try to answer them.

The CHAIRMAN: Thank you, Mr. Martin.

Senator VAN ALSTYNE: I would like to ask Mr. Martin the same question I asked Mr. Schroeder—if you have any suggestions for a substitute tax to make up for the funds lost in eliminating the intangible tax.

Mr. MARTIN: The two most obvious substitutes are first, a State tax, an ad valorem tax on personal property employed in business which, of course, could be expanded to cover personal property owned by individuals, if the Commission desired to go that far. In that case, the rate on tangible property should be one figure—there might be different rates under our present constitution on different classes of tangible property employed in business. There might be one rate for fixed machinery; there might be a different rate for cattle on a dairy. There might be one rate for book accounts and another rate for intangibles that were productive of income. Another method which might be well adopted is a tax on the net worth of a business. That tax, as an excise tax on property used in business, would, of course, be perfectly constitutional, and the rates in a case of that character might be made different depending on the class of business. In case of such a tax, the Newark Chamber would not recommend a variation in rates except

in the case of holding companies. Net worth may be based on so many different kinds of property that it would introduce great complications to attempt to have varying rates on varying classes except to the extent of certain utilities, which have at present special rates applied to them.

There is, of course, a possibility of expanding the present franchise tax, but that bears so little relation to the question of the amount of personal property that it is proposed to place a substitute tax on, that I personally do not think that method or that type of substitute tax is the answer to the problem. It is also possible to employ a composite tax like the New York franchise tax which is based partly on net worth and partly on the volume of business done.

Speaking from the point of view of Newark businessmen, they don't care half so much what particular type of substitute tax you adopt or recommend as that you recommend something that will be certain. I assume that the studies your Commission has made or caused to be made will give you some basis for estimating what rate might be reasonable as the minimum on corporations and what rate would be the maximum beyond which the tax would be such a burden as to prevent the expansion of industry, which all of us conceive of as the vital basis for action in this matter. The Newark Chamber does not feel that it ought to make specific recommendations as to rates, but the feeling among the Newark businessmen is that almost anything is preferable to the present uncertainty, and that it would be very much better for them to pay even a little more than they are paying today by way of assurance against a lightning in the future. I know that attitude would represent the attitude of new industry in prospect, because I have talked over a course of years to a good many people that might come to Jersey with business enterprises if they could be sure they were not going to be hit by the Jersey lightning, which tax lightning is just as destructive in its effects as the other Jersey lightning we all know about.

The CHAIRMAN: The last speaker was Mr. Thayer Martin, former State Tax Commissioner of the State of New Jersey. We are very grateful for his suggestions this morning. The Commission will adjourn at this time to reconvene at 1:30 P. M.

[Whereupon, at 12:30 P. M., a recess was taken until 1:30 P. M.]

The Commission met at 1:30 P. M., pursuant to recess, in the Assembly Chamber, State House, Trenton, New Jersey. Dr. John F. Sly (Chairman) presiding.

Present: Dr. John F. Sly (Chairman), Senator David Van Alstyne, Jr., Assemblyman Jacob S. Glickenhous, W. Paul Stillman.

Also present: James A. Arnold, Jr., and William Miller, research consultants to the Commission.

Absent: Norman F. S. Russell.

The CHAIRMAN: The meeting will please come to order. The following groups have asked to be heard before the Commission at this afternoon's session: Department of Revenue and Finance of Jersey City; Municipal Assessors Association; the Manufacturers' Association of New Jersey; Mr. Robert R. Daly, representing Julius S. Rippel of Newark; Board of Assessment and Revision of Taxes of the City of Newark. There are also two or three groups that were not heard this morning which the Commission will arrange to hear before this session is adjourned. The Commission is ready to hear from the Department of Revenue and Finance of Jersey City, if Mr. Potterton is here.

Mr. ROONEY (appearing on behalf of Mr. Potterton): I am here, Mr. Chairman. My name is Charles A. Rooney, Corporation Counsel of Jersey City.

The CHAIRMAN: We are very glad to have you here, Mr. Rooney.

**Statement of Charles A. Rooney, Corporation Counsel,  
Jersey City**

Mr. ROONEY: I am here at the request of Commissioner Potterton as corporation counsel of Jersey City, not of necessity reflecting the views of Commissioner Potterton nor of the City Commission of Jersey City with respect to the question of the subject which your Commission is investigating, but addressing myself to you with respect to my own views on that subject. I will say with respect to that that we do believe in the broadening of the tax base so as to relieve the responsibility of real estate to as great an extent as reasonably possible, and we also believe in principle in the uniform taxing of intangible property by some rate which would apply throughout the State and suggest something like a three mill rate on intangible property as distinguished from the tangible property, subject to an exemption of approximately \$50,000, with the proceeds from the collection of that tax to go to the municipalities affected and to be collected in the same manner as the other taxes are collected. That is the extent of my statement.

The CHAIRMAN: Are there any questions you would like to ask Gentlemen?

Assemblyman GLICKENHAUS: Is that three mills on all intangibles subject to an exemption of \$50,000?

Mr. ROONEY: Yes, subject to an exemption of \$50,000.

Assemblyman GLICKENHAUS: The State set a ceiling of three mills on intangible property so that it would be uniform throughout the State?

Mr. ROONEY: On intangible property so that it would be uniform throughout the State.

Assemblyman GLICKENHAUS: And the evaluation of the intangible property is to be made by the municipality and the collection to be made by the municipality?

Mr. ROONEY: Correct.

Assemblyman GLICKENHAUS: Subject to the exemption of \$50,000?

Mr. ROONEY: Yes.

Assemblyman GLICKENHAUS: With respect to tangible property, leave it as it is?

Mr. ROONEY: Yes, that is my thought. However, as I said to Mr. Martin, with respect to the tangible personal property, of course, frankly I would like to ascertain a little further what develops before this Committee and to learn a little deeper what this Committee has ascertained as a result of its own research with respect to the tangible property.

Assemblyman GLICKENHAUS: The only thing that comes to my mind is: can you prescribe constitutionally a certain rate for intangibles and another rate for tangibles?

Mr. ROONEY: Of course, in that, Mr. Glickenhaas, it brings up a subject which may possibly be affected by our challenge to Chapter 291, P. L. 1941, presently pending before the Supreme Court, and we think—I am speaking for myself—we think it may possibly be advisable to see what happens in respect to that suit as to making different classes of property, but I do think this intangible personal property is something which stands in a class by itself.

Assemblyman GLICKENHAUS: I don't know what you are referring to.

Mr. ROONEY: That's the new tax act with respect to ceiling of railroad taxation which is presently pending on certiorari in the Supreme Court and which has already been argued. We attacked that ceiling in certiorari proceedings. I am not advocating a ceiling on intangibles; I am simply saying it is my own view that with

respect to that, if subject to the Court holding that such proceedings are proper, that might be a remedy.

Assemblyman GLICKENHAUS: From your experience as corporation counsel of Jersey City, can you tell me what Jersey City collected by way of intangible taxes during the last three or four years?

Mr. ROONEY: No, I am sorry, I don't have that figure. At one time I think it was a fairly sizeable item until the exodus of these industries a few years ago.

Assemblyman GLICKENHAUS: Most of these industries that have left Hudson County did so because of the tax?

Mr. ROONEY: I would not say most; many have, the extent of which I don't know. Many have, I know.

Assemblyman GLICKENHAUS: Do you know whether there is a breakdown in the city figures as to the amount collected in intangibles and the amount collected in tangibles?

Mr. ROONEY: No. I might be able to get that figure for you if it would be of interest to you.

Assemblyman GLICKENHAUS: I would like to have an idea of the amount of intangible taxes collected in the city of Jersey City prior to what is termed the exodus and after the exodus on purely intangibles.

Mr. ROONEY: Anything else? Yes, I will see if I can get that for you.

Assemblyman GLICKENHAUS: I will appreciate that.

The CHAIRMAN: Thank you very much, Mr. Rooney. A. E. Weiler, Secretary, Association of Municipal Assessors in New Jersey—is he here?

Mr. WEILER: Professor Sly, we have the president of the Municipal Assessors of New Jersey here and he will present the report.

The CHAIRMAN: We will be glad to receive it.

Mr. McDONOUGH: We have made seven copies.

The CHAIRMAN: We would like to have seven copies.

Mr. McDONOUGH: Shall I proceed with the reading of this report?

The CHAIRMAN: If you will, please.

**Statement of James McDonough, President, Association of  
Municipal Assessors of New Jersey**

Mr. McDONOUGH: Preliminary report by the Association of Municipal Assessors of New Jersey to the New Jersey State Commission on Taxation of Intangible Personal Property—

November 30, 1944. Foreword. It is the hope of the assessors of the State that the N. J. State Commission on Taxation of Intangible Personal Property may be the means of creating legislation toward procuring the necessary data to assess intangible personalty on a fair and equitable approach to value. Since the growth of our State from all farming communities to suburban and urban cities and the transfer of wealth from farm husbandry to stocks and bonds and other intangible assets a growing problem has been developed for the assessor.

Taxation of intangibles creates an impasse, which the assessor has attempted to remove without satisfactory results because of the lethargy of the public, the Legislature and the assessors themselves.

Forms have been seriously used in an attempt to seek the owners and value of intangible personalty throughout the State with the result that they either are not returned, or fictitiously filled out and in some communities favorable consideration has been given taxpayers because of the confiscatory character of the intangible personalty tax.

Our Association is conversant with all the evils of the intangible personal property tax as it is presently set up and administered. We submit the following recommendations for the Commission's study and approval:

- (1) The assessment and collection of intangible personalty should be vested in a central authority, preferably the State Tax Commission.

- (2) Forms for listing intangible personal property should be uniform throughout the State, with differentiation between different groups or classes of taxpayers.

- (3) To facilitate use of balance sheets and income accounts, most of which are made up on a calendar year basis, it is recommended that a January 1st assessment date be established.

- (4) It should be mandatory for all taxpayers owning intangible personalty to file a tax list with the central authority.

- (a) False returns should be punishable by severe punitive measures.

- (b) Similar penalties should be provided for failure to file.

- (5) Each business concern, whether incorporated or not, should be required to accompany its return with a balance sheet.

- (6) Every taxpayer subject to a Federal income tax should be required to accompany his return with a copy of his income tax return.

(7) The central authority should be supplied with records of taxable stocks and bonds.

(a) Legislative action should require corporations to submit annual lists of names and addresses of resident stockholders and registered bondholders of record, with the number of shares or face value of bonds held.

(b) Copies of reports made to the U. S. Securities and Exchange Commission should be supplied.

(c) Building and loan or savings and loan associations should submit lists of shares held by their constituents.

(8) Chattel mortgages and conditional sales contracts should be furnished the central authority by the county clerk's office.

(9) Copies of receiverships, estates of bankrupts, estates of decedents, and estates of minors and minors administered by guardians under supervision of the courts should be provided.

(10) Collateral used for bank loans should be provided by banks.

(11) There should be close cooperation between assessors of all districts and the central authority in the exchange of information concerning intangibles.

(12) The central authority should furnish a copy of their list and method of arrival of value to the assessor each year.

(13) The basis of all values shall be "market value" arrived at through an analysis of market price, face, par and book value and capitalization of earnings.

(14) It is believed that all intangible personalty should be taxed on a reasonable and bearable basis and the test of experience in subsequent years should determine whether it should be raised or lowered.

(15) An excellent purpose for the use of the tax revenue provided by this new source would be to allocate it for the use of our public schools and disbursed by the State.

Conclusion. A complete description of each heading has not been provided. Should your Commission believe in the merit of any item we shall be glad to enlarge on our descriptive data.

We are most grateful for the opportunity to be heard in this matter and hope we have made some contribution that will be of assistance to you in your final determination.

In the event that proper legislation with "teeth" in it is not enacted, then it is our suggestion that this form of taxation be eliminated and some other form substituted.

That is the extent of our preliminary report.

The CHAIRMAN: Thank you very much. Are there any questions, Gentlemen?

Assemblyman GLICKENHAUS: Do you believe that intangible personalty should be removed from a lower level and put on a State level?

Mr. McDONOUGH: That is our primary thought on that.

Assemblyman GLICKENHAUS: Either State or county?

Mr. McDONOUGH: Either State or county. We would favor the Legislature putting teeth in the laws compelling people to assist the assessor in an independent search for intangibles and apply for a form and request them to do it.

Assemblyman GLICKENHAUS: The law provides to send a man to jail if he doesn't answer questions.

Mr. McDONOUGH: On what basis, perjury?

Assemblyman GLICKENHAUS: No. I think the statute requires it or else the assessor has the opportunity or privilege of assessing the intangibles for what he thinks the value of them is. In other words, it can't be broken down. It would be far better to centralize it in a State or county level in administering the intangible tax?

Mr. McDONOUGH: Yes, sir. Why not?

Senator VAN ALSTYNE: If the intangible tax were eliminated, have you any specific suggestion as to what other type should be substituted?

Mr. McDONOUGH: We are inclined to agree with the banks in that respect.

Senator VAN ALSTYNE: Another suggestion is to treble the business franchise tax to take care of the loss at present.

Mr. McDONOUGH: Yes. We haven't any objection to that increase.

Assemblyman GLICKENHAUS: Except for the burden on the taxpayer?

The CHAIRMAN: Mr. Frederick S. Kellogg, of the Manufacturers Association of New Jersey.

**Statement of Frederick S. Kellogg, General Counsel,  
Manufacturers Association of New Jersey**

It is a privilege to come before your Commission on behalf of the Manufacturers Association of New Jersey to speak concerning the assessment and taxation of intangible personal property. I think I might say that the Manufacturers Association is made up of people very like every other person in the State—they don't like taxes. Anybody that comes around and offers them a chance to get out of tax is received with initial applause and praise. But, on

the other hand, they are practical people and realize that revenue has to be raised. In fact, the whole purpose of any taxation system is not to be theoretically correct; it is to raise revenue.

Any taxation which is confiscatory, will not raise revenue and it will either be avoided or evaded. And taking intangibles in and of themselves, although there are a great variety of kinds, those intangibles are owned or held by people in view of what their net return is, whether the net return be direct or indirect.

If you take an instance which could well happen of a person owning a 4 per cent bond which was worth \$1,000 and on which he got \$40.00 interest per annum and he returns that bond for taxation in a municipality that charges \$50.00 or \$60.00 per year for the privilege of owning that bond, the answer is perfectly obvious. Next year he doesn't own the bond. He can put it into an exempt bond, he can put it into something else, or he can continue to own the bond and move himself out of the State of New Jersey, or if he be a Jersey corporation, he can do what some of them have done—move from a place where the tax rate is five or six dollars to a place where it is less than one dollar. That, I say, is not tax evasion; that is tax avoidance, and you will have that thing no matter what kind of a law you put into force and effect simply because the tax at that stage becomes confiscatory. Of course, there is the other avenue of escape, what I call tax evasion. That is the owning of property, failure to return it, making false returns, other things of that sort. I have been speaking merely of a bond, a definite obligation bearing interest, but there are other kinds of intangible personal property and there are other kinds of tangible personal property that are subject to exactly the same—what will I call it—economic law. If you have confiscatory taxation on those, the property will not be there anymore, some way or another. You take a company's accounts receivable and you set a date, a certain date, to tax their accounts receivable. Well, their accounts receivable, if they be substantial, are entirely according to their credit arrangements—thirty-day credit, sixty-day credit, ninety-day credit. That will have nothing to do with the comparative earning capacity of a company, whether it will give thirty-day credit or ninety-day credit. The one that is justified in giving ninety days' credit is going to have three times the amount of tax on its accounts receivable, and you have a situation there that makes it very difficult.

You also have tangible personal property.

I have heard two absolutely divergent ideas presented. One idea was that the automobile tax law was wrong because while you

might say there should just be an annual tax on automobiles for the purpose of using roads by private automobiles, what about the big trucks. It is said that these great big trucks should be taxed on a different basis and they should bear a heavier tax. Those trucks from their very description belong to industry of one sort or another. That is putting a heavier tax on the tool of production.

I want you to understand that I speak with very great diffidence. While the Association considered taxes, we have not gone to the extent that other organizations have gone in getting down to detail. I don't want to represent to this Commission that we speak as those having high knowledge or authority because we have not gotten to that stage yet.

To take that question of a truck, you take the question of tools of production. The machinery, the other things, the work in progress, the raw materials, even the finished product. You have got different sorts of industry that you are considering there. If the turnover of the particular industry is very rapid, you may have very little goods in process. You take a factory, pour your molds and finish your castings; it is gone in a comparatively short length of time. You take a man making a complicated machine. He will have the goods in process, so to speak, and the raw materials in his plant for a year or maybe two years. Therefore, he accumulates business assets over all these months that become subject to taxation.

The point I am trying to make, Gentlemen, is that when you begin to apply this tax thing to industry and just say industry as a whole, you are applying it not to a level plane—you are applying it to an uneven situation and the burden is not going to touch some people and is going to touch others severely. The manufacturers I think, may be described as patient because they have not abandoned the idea that perhaps sometime there will be a reduction in public expenditure which might result in a reduction in taxation. They always are going to be blessed even though they never do get blessed, at least in recent times, but they observe that apparently in New York and in other places, there is at least a reduction of the impact of taxation on certain kinds of property, intangibles and to a degree I believe on some tangible property. The manufacturers are not here trying to duck out of their fair share of taxation but they want to get to this Commission this idea—that over a period of time they have got to be able to compete, and while they think they are just as well able to produce as the producers of any other State, they don't think they can run a hundred

yards if they are ten yards behind the starting line. If you have a situation where they get taxed to a degree that the other people in other States that are in competition with them are not taxed, you just can't have it. You are just handicapped, however much it may be. There is the frightful situation that you come up against.

It has been referred to here by others, framed perhaps a little differently, but the substance of the thing is the same. When you say that you would take off the tax from intangible personal property, I, speaking for myself because I have no authority to speak for the whole membership on that, say that the thing ought to be taken off, not with the idea that the manufacturers wish to avoid it but because it does not produce the revenue adequate and commensurate with the injury that it does to the State in the ability to collect taxes from other sources. If you have this "tax lightning," you are not going to get any new industries to come into the State. There is no question in my mind; I am sold on that idea. They won't come in here and gamble whether a tax assessor is going to come after them. They would like a certainty. I don't say it is the right thing to repeal all taxes on intangibles but the tax should be brought down to the place where it meets two requirements—first, that it is not confiscatory, and second and perhaps and possibly below that, where it does not prevent the industrial companies of this State from starting at the same starting line with the industrial companies of other States in entering into competition of trade. Isn't there a sign down here that Trenton makes and the world takes? It seems that I have seen that sign in the past, if not present. While we make many things in New Jersey, I think we make a great many more than we sell in New Jersey and we have got to be able—the industries have got to be able to go out and meet that competition. If they don't, why, the results will be what have been indicated; there will be less employment.

Of course, industry can't just pick itself up and move out of the State the way a holding company can do or even an insurance company. Some of the companies in Newark just picked themselves up and went and reincorporated somewhere else. Industrial companies can't do that. On the other hand, no matter how much they may strive nor how much energy they may put in, they can't take an unlimited handicap and stay going for the benefit of the State. Of course, certain local industries will remain, but the main bulk of the industries has got to have a chance to go along and meet competition on the basis of other States. I know this; I know that over in New York, apparently there was a question as to that matter. They amended their constitution. In New Jersey I don't

know whether it would be necessary to amend the constitution in order to abolish taxes on intangibles. I have very little doubt in my mind that you can classify various kinds of property for taxation at varied rates, but I don't know whether constitutionally you can demand an out-and-out exemption without constitutional provision. I just raised that question; I won't go any further because I have not studied it. I haven't gone into it in any detail.

Therefore, I think I can say this: the attitude of the Manufacturers Association of New Jersey in the first instance, as I said, is one of great belief that some taxes are to be raised, and looking a little bit further here, maybe that's all right but what comes after. This tax that has been suggested here, this franchise tax on the nominal capitalization of corporations, it may be a convenient way of raising this amount—I don't know what the amount of intangible taxes is you have to get to replace—that might be a convenient way of doing the thing; I don't know whether it is the solution. I don't know what that will result in in regard to industrial plants but in regard to the holding companies and financial institutions other than banks, I don't know but that would result in just as much as their taking their corporations out of the State anyway if the tax comes on them because you tax their capitalization, they sell their securities, so to speak. I can't say to you today—I have not given enough study to it—that the alternative of intangible personal property taxes is necessarily a franchise tax on corporate forms of business. I just don't know, but the Association will look forward with great interest to seeing what this Commission proposes and to seeing what kind of a solution is reached on this thing.

Finally I say this—that something ought to be done about this intangible personal property tax. The present situation is practically impossible and it is simply confiscation. Supposing a company cannot make an income out of its intangibles or out of its other sources over a period of time. It just dries up; you haven't any industry. As I say, I thank the Commission for the opportunity to speak for the Manufacturers Association here, and you have no better well-wishers for a reasonable solution than we.

Assemblyman GLICKENHAUS: You suggest that it would be a good thing to abolish the intangible tax. So far as the replacements are concerned, you are willing to wait to see what we can do before you pass any judgment on that?

Mr. KELLOGG: Yes, that is what it amounts to. We don't know how much money is involved in this intangible tax at the present time.

Assemblyman GLICKENHAUS: What is your personal opinion? Do you advocate that the franchise tax be doubled or trebled?

Mr. KELLOGG: I think for a time it might be a practical situation to double the corporate franchise tax. I do think that if you hold that for more than a year or two, you will have two results. You are going to have the result that certain companies will reincorporate elsewhere and you will have a considerable drop in corporations in this State because in regard to that you are in competition with other States.

Assemblyman GLICKENHAUS: You suggest that possibly the rate on intangibles might be brought down to a lower rate that would not discourage industry. Have you any suggestions as to what you feel the rate might be?

Mr. KELLOGG: Replying generally I cannot say what my thought would be because intangibles are so variant in productivity.

Mr. STILLMAN: Eliminating the threat of any intangible taxation to manufacturers, do you think such a manufacturer is at a disadvantage in this State?

Mr. KELLOGG: I think a manufacturer is at a disadvantage if he has to pay the going rates on his tangibles in proportion with what he pays on those tangibles in Pennsylvania and what I understand he is going to pay on them in New York. In other words, I agree with—perhaps it is presumptuous to say, I agree—with Mr. Martin here. I followed with great interest the remarks of Mr. Martin. I don't think you can sort out your intangibles from tangibles and get a workable result.

Senator VAN ALSTYNE: On the other hand, if you take the New York State income tax and add it to the other tax, New York exacts a vastly greater tax than we do in New Jersey.

Mr. KELLOGG: You have an unusual situation here. You have a war period. I don't know how much it was during the other period. We are coming to a peace period in which if my guess is any good, competition is going to be very, very strong. In other words, it isn't the question whether that industrial concern ought to pay this tax. They say, "Well, here, I can't make any money on this." They tell them, "Raise your prices." I know you just can't do it. Competition sets right on the line. You have to be in a position to be on a level plane with the other people.

Assemblyman GLICKENHAUS: Manufacturers at the present time are exempt from franchise taxes.

Mr. KELLOGG: I think mining, manufacturing, agriculture, horticulture, if fifty per cent of their capital, as it is called, is invested in the State, are exempt, but if they are not invested within the

State, if this company were formed here and had its office here merely and had the factory in other States, Pennsylvania, New York, Delaware, I think there is not exemption from franchise tax.

Mr. STILLMAN: How do you feel about the New York system of raising money from sales tax?

Mr. KELLOGG: I can't answer for my organization in regard to that. As for myself, my feeling is that I don't like it. Whether these new amendments will work out and make it a more favorable situation for the thing, I don't know. You have your so-called sales and use tax in the City of New York. If you make a declaration there, someone else is going to try to tax you on the whole face value on the ground it is either a sale or use.

Mr. STILLMAN: You are inclined to favor the Pennsylvania system?

Mr. KELLOGG: On what little study I have given it, I like the Pennsylvania system better than New York's.

The CHAIRMAN: Do you think there would be any objection by the Manufacturers Association to a low mill tax on intangibles?

Mr. KELLOGG: I can't say that I think there would be. I can't say; I just can't answer. My impression of the situation is that if it was low enough and kept to the point where they weren't prevented from competition, I don't see why they should object. After all, they ought to realize that there have got to be taxes raised in the State. They want to be in a position to enter competition with other States with a reasonable chance of being on equal terms.

The CHAIRMAN: Thank you very much, Mr. Kellog. I appreciate your statement. Is Mr. Robert Daly present? (No response) Mr. Daly isn't due until a little later. The Commission will hear him when he arrives. Are the representatives of the Board of Assessment of the City of Newark present—Mr. Parsonett or Mr. Fitzsimmons? (No response) They likewise are due a little later. The New Jersey Education Association, Charles J. Strahan, Executive Secretary, and Milton Feller, Counsel.

**Statement of Milton Feller, Counsel, New Jersey  
Education Association**

Mr. FELLER: Mr. Chairman, I would just like to call the attention of Senator Van Alstyne and, shall I call you Assemblyman or Freeholder Glickenhous, that you forgot to pass four bills before the Legislature adjourned. I would like to read this statement, Mr. Chairman.

I am appearing here today as counsel for the New Jersey Education Association to urge in behalf of said Association that your Committee recommend to the 1945 Legislature the passage of legislation affecting the taxation of intangible personal property in this State for the purpose of relieving real estate of part of the burden of supporting our educational system.

The New Jersey Education Association recommends such legislation in order that the revenue raised may be used to equalize the cost of education within the school districts of the State and eventually to relieve real estate entirely from bearing this cost.

This would not be a new tax law. Intangible personal property is taxable under our present laws but it is assessable at local tax rates. Such rates in many instances are confiscatory and as a result many taxing districts do not assess intangibles at all. Consequently billions of dollars worth of this kind of property escape taxation altogether.

Furthermore if the present tax laws affecting intangibles were enforced to the letter, disastrous results to the economy of the State would be the consequence. We know from experience that intangible personal property or wealth, can and does move from the taxing district in which the tax levied is excessive to other districts where the tax rates are lower and each additional company that moves to this latter district further decreases the local rates for companies claiming that district as its main office. This further puts taxing districts such as the latter in a good bargaining position to compete against other districts by offering these ever-decreasing rates as inducements for still other companies to move there.

This is a very ridiculous situation. For the past two years I was Chairman of the Taxation Committee of the House of Assembly and had the opportunity to observe at first hand the many sincere and honest attempts to remedy the defects in our property tax system by means of new legislation.

Article IV, Section VII, Paragraph 12 of our State Constitution provides as follows: "Property shall be assessed for taxes under general laws and by uniform rules according to its true value."

This section and laws passed in pursuance thereof are not enforced and applied when real estate which should bear only 30 per cent of the local tax burden is really bearing approximately 80 per cent of this burden and approximately 94 per cent of the cost of education in this State.

In April, 1943, a public hearing was held by the Assembly Taxation Committee, on several bills that had been referred to it. At that hearing it was brought out—and it is part of the record—that for every dollar's worth of property assessed in New Jersey there are two dollars' worth of property not assessed. This is due for the most part to the fact that billions of dollars' worth of intangibles escape taxation altogether. This has resulted in a narrowing of the tax base, with the further result that the remaining taxpayers are forced to pay more.

It was also brought out at this hearing that due to this system the average tax on homes in New Jersey is higher than the average tax on homes in any other State in the Union.

Consequently some very drastic action is necessary to distribute more equitably the tax burden in order that property will be assessed, "at true value," and "by uniform rules," as the Constitution provides.

Article 4, Section 7, Paragraph 6 of the State Constitution also provides as follows: "The Legislature shall provide for the maintenance and support of a thorough and efficient system of free public schools for the instruction of all the children in this State. . . ."

State aid to the school districts has been provided under the terms of an old statute which inequitably distributes this aid in proportion to the taxable wealth of the particular district. As a result wealthier school districts receive more State aid than poorer school districts. Thus some districts receive as high as 41¢ per day for pupil attendance while others receive as low as 3¢ a day for a day's attendance. This wide discrepancy has been due to many corporations moving into certain tax districts because of the low tax rate in effect there.

The money for this State aid has been paid by the municipalities at the rate of 2.9 mills per dollar valuation. Only two States give less State aid than New Jersey exclusive of real estate taxes. New Jersey's contribution is 5.8 per cent exclusive of real estate taxes while Delaware gives 92 per cent, New York 32.5 per cent and Pennsylvania 23.3 per cent, all exclusive of real estate taxes.

Governor Walter E. Edge said in his Inaugural Message, "The cost of educational programs of New Jersey varies at present from approximately \$45.00 per pupil per year in our rural areas to more than \$200.00 per pupil in our large municipalities. This is a dangerous disparity. Forty per cent of our youth who live in low support areas are denied educational advantages given to those who live in communities of even average taxable wealth."

As a result a bill will be introduced in the 1945 Legislature equalizing State aid in all of the school districts at the same cost per pupil and eliminating the inequitable distribution of this aid that prevails today. The contents of this bill will be in accordance with the recommendations of the Educational Planning Commission as developed by the Princeton Surveys. No school district will receive less than it receives today if this proposed bill should be enacted into law, but on the other hand most of the districts will receive substantially more than they receive today. The amount of State aid today is \$18,048,597. The sum is now raised for the most part from the payment to the State of the State school tax raised from real estate taxation.

The amount of State aid under the new proposed plan would be \$26,668,434 or \$8,619,837 more than at present.

Real estate cannot bear the additional \$8,619,837 required for this new State aid program and real estate should be relieved of the \$18,048,597 now required for State aid.

In other words the total sum of \$26,668,434 should come from sources other than real estate which is already taxed excessively.

The New Jersey Education Association believes that an intangible tax law assessing this type of property at reasonable and nominal rates and in a uniform manner would provide the source of revenue necessary to raise the additional \$8,619,837 required for this new State aid plan. And any sums collected over and above this amount could be applied to the gradual reduction and eventual elimination of the payment of the State school tax by the municipalities. Thus real estate would in time be relieved entirely of the burden of paying the cost of State aid for education.

In October, 1942, former Governor Charles Edison proposed a new intangible tax program to the Legislature. This program provided that the assessment and taxation of intangible personal property should be transferred from the jurisdiction of the local taxing districts to the State Tax Commissioner; that intangibles be assessed at the rate of  $3\frac{1}{2}$  mills per dollar throughout the State instead of at the local tax rates prevailing. It set up the machinery for the collection of these taxes and enforcement of penalties and it defined in detail the kinds and classes of intangible personal property to be assessed. This proposed bill among other exemptions specifically exempted from taxation Federal, New Jersey State and local securities, moneys and deposits not used in business and funds used for charitable benevolent, religious, educational, research or hospital purposes.

It also exempted from taxation any intangible personal property of nonresidents and foreign corporations that is not actually used in business in this State. (Incidentally, in connection with that, at the request of the New Jersey Bankers' Association this year, I introduced two bills defining in detail what was not considered doing business in this State by foreign corporations and non-residents. One of the bills passed the Assembly, failed to pass the Senate; the other bill failed to pass either house. I understand they also had been referred to your Commission to consider in relation to this entire intangible tax program.)

The money raised was to be the source of State school moneys now derived from the State school tax of 29 cents per hundred dollars raised locally. This tax money would have replaced the State school tax and relieved the municipalities of paying this tax to the State. This would result in a saving of 29 points in each local tax rate. All surpluses over and above the amount necessary for school purposes was to be paid into the State Treasury.

A bill along similar lines would furnish the necessary revenue eventually to defray the entire costs of State aid under the new plan and relieve local real estate from this burden by eliminating the necessity of the State collecting locally 29-cent school tax per hundred dollars. It has been estimated that the enactment of a law of this type would add between \$15,000,000,000 and \$25,000,000,000 to the tax ratables of the State.

I want to re-emphasize that an intangible tax law would not be a new tax law but a law taxing at nominal and more reasonable rates a class of property that should be taxed under our present laws at local tax rates.

Out in Missouri a Constitutional Convention has just been concluded. "The new revised Constitution"—according to the *Newark Sunday Call* article of last week—"has a provision that all property would be fixed in three classes—real estate, tangible personal property and intangible personal property—for taxation purposes. The proposal was designed to bring on to the tax books, millions of dollars of hidden wealth in the form of intangible personal property, which now escapes taxation, because under present rigid laws all property is taxed at the same rate and as a result owners hide their intangibles because the tax is often greater than the yield."

Needless to say we have the same rigid laws in New Jersey and a change is absolutely necessary to bring on to our tax books millions of dollars of hidden wealth in the form of additional tax revenue.

I ask the Committee to give consideration to the recommendations.

Assemblyman GLICKENHAUS: What were those figures you gave? Between \$48 and \$200?

Mr. FELLER: \$48 and \$200. The Governor mentioned that in his inaugural.

Assemblyman GLICKENHAUS: Does that still exist today?

Mr. FELLER: January 1 of this year. January 16.

Assemblyman GLICKENHAUS: I could find practically nothing that ran under \$80.

Mr. FELLER: Dr. Sly can give you all the figures you want.

Assemblyman GLICKENHAUS: From a practical standpoint, what would be the prospects of the Legislature's action on this proposal?

Mr. FELLER: I think if you were here, it would probably pass it.

Assemblyman GLICKENHAUS: From a practical standpoint as well as realistic.

Mr. FELLER: I believe it is a necessity. There are billions of dollars' worth of property not assessed today because of the present system that prevails. I had occasion as chairman of the taxation committee to observe some of the sincere attempts of some of the legislators, including myself, to solve this by piecemeal legislation. It did not solve it. I think a program such as this would be the solution and would eventually relieve local tax rates.

Assemblyman GLICKENHAUS: Didn't they have that opportunity?

Mr. FELLER: The bill was never formally introduced in the Legislature in 1942.

Assemblyman GLICKENHAUS: The bill was presented to members of the Legislature.

Mr. FELLER: The bill was presented to a special committee organized for that purpose and the special committee did not report on it, if I remember it.

Assemblyman GLICKENHAUS: You haven't answered my question.

Mr. FELLER: I have. I told you that if the bill would pass, that if sixty members of the Legislature would be convinced, as the members of the New Jersey Education Association are convinced, that this is the solution.

Assemblyman GLICKENHAUS: In your opinion do you think that is a good program?

Mr. FELLER: I think they would go along.

Assemblyman GLICKENHAUS: I just want to be convinced. I just wanted your opinion on that.

Senator VAN ALSTYNE: Do you have any specific figures that would indicate what mill rate we would have to have on the tangibles on the same basis uniformly throughout the State to raise \$8,000,000 for additional revenue? Have you worked the figures out?

Mr. FELLER: I have taken it on the basis of ratables that might be had. Former Governor Edison, whom I consider an authority on it, he studied it for a year—he estimates upwards of \$25,000,000,000 of extra ratables would be added to the tax ratables of the State. I believe the New Jersey Real Estate Board, through Mr. John O'Brien two or three years ago, estimated \$20,000,000,000. The Journal of Commerce three years ago estimated \$20,000,000,000. Assuming that it is \$10,000,000,000, the three and one-half mill tax rate on \$10,000,000,000 would bring in a yield of \$35,000,000, which would more or less cover part of that.

Senator VAN ALSTYNE: New York State tried to tax intangibles and gave it up.

Mr. FELLER: New York State has a State income tax which we don't have.

Senator VAN ALSTYNE: I understand that the very attempt to tax intangibles by various States, as you speak of the new constitution in Missouri which set up the three classifications, that does not necessarily mean that they meant to tax intangibles.

Mr. FELLER: If these estimates are true that there are ten to twenty-five billion dollars worth of intangibles in the State today and they are still here despite the threat of tax lightning, I think we should fix a rate, say identical with Flemington, which has the lowest. I think it would bring more industry here than we have today. If these figures are true, and I am quoting authorities, and if they can be assured that the element of uncertainty would be eliminated and they would be assessed at a low nominal rate, they would come in.

Senator VAN ALSTYNE: The implication of your proposal is that every individual in the State would have to file a return setting forth his intangibles for taxation.

Mr. FELLER: That was the provision of that bill.

Mr. WATSON: May I ask my good friend, Mr. Feller, one question through the Chairman?

The CHAIRMAN: Yes, Mr. Watson.

MR. WATSON: So that there will be no misunderstanding, Mr. Feller referred to the exemptions accorded under Governor Edison's bill, then he went on to say that the association to which he is counsel does not necessarily advocate those specific exemptions. May I ask Mr. Feller what exemption he would advocate?

MR. FELLER: No, I am sorry, you misunderstood me. I was referring to the \$500 exemption that the bill provided for. I believe someone else suggested before they go as high as \$50,000. We don't commit ourselves to the \$500 exemption.

MR. WATSON: Your estimate of additional revenues, speaking through the Chairman, amounted to, you said, between \$15,000,000,000 to \$25,000,000,000?

MR. FELLER: Right.

MR. WATSON: Does that include all intangibles?

MR. FELLER: It would include the intangibles that were uncovered under the bill submitted by former Governor Edison back in 1942 according to his estimate.

MR. WATSON: Is that what you advocated in a similar proposal?

MR. FELLER: Similar. We are not committed to the identical bill.

MR. WATSON: I am referring to exemptions.

MR. FELLER: Right.

MR. WATSON: There is one estimate made by a very estimable gentleman in this room whose figures are much lower than yours.

MR. FELLER: I think the Committee can and will find out the definite figures.

MR. WATSON: Very much depends on the exemption.

MR. FELLER: And the total amount of ratables that would be assessed. I quoted Governor Edison because he and the Committee studied this problem for over a year before this 1942 bill was submitted.

MR. CAVICCHIA: Just to correct the record, the joint committee to which the Edison plan was referred did file a report. Perhaps the record ought to be straightened out in that respect.

MR. FELLER: The bill was submitted at a special session. The Committee filed a report and no action was taken on it because the regular session of the Legislature had adjourned.

The CHAIRMAN: Thank you very much, Mr. Feller. The New Jersey Association of Real Estate Boards, represented by Mr. John F. O'Brien.

**Statement of John F. O'Brien, Tax Consultant, New Jersey  
Association of Real Estate Boards**

Mr. O'BRIEN: I understand, Gentlemen, that I was supposed to come here this morning. That was a misunderstanding. If I inconvenienced the Committee, I humbly apologize. I was very glad to hear the statement, incidentally, of the Manufacturers Association representative that in his judgment the manufacturers would not object to a reasonable millage rate on intangibles. If he had been here yesterday and Judge Feller would have been here yesterday, I may say I would have slept a little more comfortably last night because we had nothing but proposals for outright exemptions of these intangibles, and incidentally I might have drawn a little different statement which, with your permission, I would like to read:

In the absence of definite legislative proposals, and with no knowledge of the scope of investigation being conducted by your Commission under the authority granted by the Legislature, we are in position only to make some general observations on this subject of intangible property taxation, and we make these observations with a deep realization of the difficulties of the problem and the great desirability of providing a solution for it. The problem will not be solved, however, by merely providing a more sensible method of assessment for the intangible personal property now being assessed, and letting it go at that, and certainly it will not be solved, at least for real estate taxpayers, by exempting it entirely, as was recommended by the organizations which appeared here yesterday.

To attempt to assess intangible property at full value and at local rates prevailing in New Jersey, is not only impractical, it is ridiculous; and New Jersey would long ago have joined the other forty-two States which have abandoned the practice, if the Legislatures over the years had met the whole tax problem existing in this State more courageously and more intelligently, and also, I might add, if the business interests of the State had been more co-operative in helping them meet the problem.

Under the joint resolution creating your Commission, you are authorized to investigate the question of the valuation and taxation of intangible personal property and related tax subjects, and to prepare and recommend legislation in connection therewith. The inclusion of the words "and related tax subjects" could cover many things, not the least of which is an investigation into the causes which led up to the sudden imposition of this so-called "tax lightning" on intangible property, the preventing of which is

apparently your main duty. The plain fact of the matter is that this "tax lightning" was caused by the breakdown of the real estate property tax during the depression years and was resorted to in desperation by municipalities in congested areas struggling with the problems of unemployment and relief, in addition to their ordinary services. For your Commission merely to remove this threat from intangible property without at least attempting to remove the cause, is merely to invite its use against tangible personal property or some other type of property in the troublesome days which lie ahead.

Another related subject certainly should be to investigate the type and character of the intangible property now enjoying the tax exemption under the free and easy policy of exemption which has grown up in this State, and the return to the tax rolls of all such exempted property which fails to meet the test of the exemption privilege. In this connection, it is well to note that when Ohio met this personal property problem in 1932, the situation was very similar to that existing in New Jersey today; the same exemption evil existed. For example, as in New Jersey, Ohio exempted the stock of domestic corporations. This and other exemptions were removed in the Ohio revision. As a matter of fact, Ohio even provided for taxation of bonds issued by the State itself.

With reference to the particular question of the taxation of intangible property, I can say to you, not only as a real estate man, but also as an assessor, that not only intangible property but the whole question of personal property taxation needs new treatment. Intangible property should be assessed by the State Tax Commissioner at a very low mill rate, and the law providing the method of taxation should contain a clause making the declaration of ownership mandatory upon the owner of such property, so that all intangible property now escaping taxation will be located and placed upon the tax rolls. With reference to tangible personal property I think that all household goods should be completely exempted from taxation, or at least up to a value of \$2,500.00. In my judgment, it is not only inequitable but antisocial, to place an annual capital tax on the furniture in a man's house and at the same time exempt a stock or bond in his safe deposit vault. It may well be that tangible personal property should also be placed in the hands of the State Tax Commissioner for more equitable and uniform treatment. This, however, presents a very real problem in industrial and business centers, where this particular revenue represents a very important element in the local tax structure. In

any event, it should be a very definite and permanent part of any law providing for the assessment of personal property by the State Tax Commissioner that all of the revenue derived, less administration costs, be paid back to the municipality where the property is located.

Many other recommendations might be made relative to the assessment of personal property, both real and personal, but I am quite sure the members of your Commission are conversant with them. Yours is only the last of many Commissions which have investigated the subject, and the reports of these various Commissions contain a wealth of information as to cause and effect and carry many recommendations for betterment. I am more concerned just now with the strong recommendations made yesterday by the representatives of business and industry that intangible personal property be totally exempted from taxation.

I listened very attentively yesterday to the statements of the Bankers' Association and the State Chamber of Commerce. The statement of the State Taxpayers' Association was not read, but I assume it contained the same recommendation. I have here an editorial from last night's issue of the *Trenton Times* endorsing this proposal for outright exemption. It is apparent that strong pressure is to be made to have your Commission recommend such exemption. That being so, in justice to the owners of real and tangible personal property, including home owners, we ask that your Commission make a thorough study of the two main reasons advanced for such exemption before any such legislation is decided upon. It may well be that with such information, the real estate interests may be convinced that such exemption is to the best interests of the State. The two main reasons advanced seem to be these:

1. Seventy-five per cent of all intangibles in New Jersey are now exempt and therefore the remaining twenty-five per cent should also be exempt.

2. The taxation of intangibles, even at a low millage rate, would drive industry from the State and prevent new industry from coming in. That New Jersey is in competition with New York and Pennsylvania, and New Jersey must be made inviting to industry and business.

Those are the main reasons I cull from yesterday's proceedings.

As to the first, before deciding to exempt the remaining twenty-five per cent, the public is entitled to know if the exemption of the seventy-five per cent is justified. One of the main reasons for the extremely high property tax rates in this State, the bulk of which

falls on real estate, is the amount of personal property exempted from taxation. This proposal to increase the total should rest on a better basis than the fact of existing exemptions.

As to the second, the public is entitled to know just how the taxation of business and industry in New Jersey compares with that existing in New York and Pennsylvania and other States. They are also entitled to know just how much revenue is derived from business and industry in New Jersey. It must be remembered that New Jersey, from a geographical standpoint, offers many advantages to industry and business without making tax exemption or undue tax favoritism, the inducement to locate here.

Statements have been made that because of the threat of this "tax lightning" many corporations have left the State and many other corporations have refused to come into the State. The public is entitled to get some factual information as to whether these corporations are corporations providing employment and payrolls, or whether they are corporations who have selected New Jersey for the location of their registered offices only because of the inviting corporation franchise taxes imposed in this State.

In talking about business and industry, it is well to remember that we have another industry, very vital to New Jersey, and that is the building industry; and connected with this industry is one of the most vital institutions in America, and that is the institution of home-ownership and the private ownership of real estate generally. New Jersey lies between the two great cities of New York and Philadelphia. New Jersey has many thousands of acres of vacant land waiting to be converted into communities of residences and business. This industry also has the right to fair tax treatment, and although the need for such fair treatment has been written into many reports of Commissions similar to yours, every effort to bring about even the slightest improvement in the taxation of homes and real estate has been defeated, and the real estate tax has reached a point where even the gentlemen yesterday agreed that it could go no higher. I am not so sure of that.

We had hoped that the proposal to tax intangibles at low millage rate would be welcomed by these organizations representing business and industry, and we were greatly surprised to see this concerted action for outright exemption. I have here the report of the State Chamber of Commerce submitted to your Commission yesterday. This report shows that only six States still retain the system of taxing intangibles at true value at the general property tax rate; New Jersey being one of the six; that thirteen States

have substantially exempted intangibles from taxation; that twenty-nine States tax intangibles at various rates of taxation. In other words, not one State in the Union apparently totally exempts intangible property, and still New Jersey is asked to grant such exemption. In view of the exemption record in New Jersey, which was one of the main contributing causes for the breakdown of the property tax during the depression, and in view of the continuing intolerable tax imposed on homes and other real estate because of this exemption policy, this proposal is difficult to understand, and before it is agreed to, the home owners and real estate owners in this State are entitled to receive more justification than was presented in the statements made yesterday. The New Jersey Association of Real Estate Boards records its opposition to such proposal without more information. As a home owner and as the assessor of the Village of South Orange, I record my opposition to such proposal without more information.

The argument has been advanced that this intangible tax problem should be treated separately without relation to the tax problem of any other type of property. It is just that method of individual treatment by which various types of personal property, at various times, have secured from the Legislature either outright exemption, partial exemption through so-called "in-lieu" taxes or other favorite treatment, and all of this "individual" treatment has resulted in the same thing, higher taxes on real estate and a penalty tax on home ownership.

I recall in the middle of the depression where twenty per cent of the total real estate in New Jersey left private hands and flowed into institutional ownership. The bank tax act was changed, presumably on behalf of the banking association, and the result of that tax, as I recall—I think it was in 1935 and 1936, because I examined the picture the year before and the year after—and as a result of that slight amendment to the method of recording the capital surplus statement of the banks on which the bank tax is based—that slight amendment reduced the revenue of the bank stock tax. In 1935 I think it was \$1,600,000; the year following it had gone down to \$700,000. I understand the bank stock tax revenue amounts to \$500,000. At the same time, possibly a little earlier or later, the tax act was amended to exempt cash in banks—so that this piecemeal granting of exemptions that was recommended yesterday has been done over the years and it has narrowed the base of taxation so that the tax rates of New Jersey today are a result of this.

We make this recommendation very seriously to your Commission:

1. From the investigation you have made and from the vast amount of information contained in the reports of earlier Commissions, draw up your plan for a reasonable and equitable assessment of both tangible and intangible personal property, from the viewpoint of the best interests of all of the taxpayers in New Jersey.

2. Use every effort to secure the approval of these business organizations which have proposed total exemption.

3. If such approval is not forthcoming, or some alternate plan for such taxation is not submitted, either abandon your program as being impossible of execution or use every endeavor to have the Legislature adopt your program despite the opposition.

In attempting to solve this problem, your Commission cannot ignore the breakdown of the property tax during the depression years. If we are to prepare fully for the tax problems which will unquestionably follow the close of the war, we must prepare now to prevent a similar breakdown in the emergency which even the representative of the State Chamber of Commerce stated yesterday would be with us within a few years after the end of the war.

I just wish to add this statement: When the new constitution was being publicized throughout the State, representations with reference to the change in the tax clause were made as to the reason for it and the hoped for result. Governor Edge in many statements and the leaders of the revision movement pointed out that one of the reasons for changing the tax clause in the new constitution was to remove from intangibles this threat of tax lightning, and to permit the taxation of personal property so that that type of personal property could be assessed simply and equitably at different rates, depending on the type of property and its importance to the economic fabric of this State.

Now, these business organizations which today before your Commission have asked for outright exemptions were among the leaders of the revision movement. I take it for granted, in view of the defeat of the constitution—the work of your Commission assumes a greater importance than before the defeat of the constitution, because this intangible property today rests under the tax clause of the old constitution. It would seem to me, and I have said it for many years and at many gatherings, that the business interests of the State would serve their own interests better by agreeing to a reasonable tax on this

intangible personal property in order to remove from intangibles this threat of tax lightning. This also must be remembered—for years prior to the depression, Jersey City—and it was admitted here on the floor of the Senate by the Senators from Jersey City—that Jersey City for years had called corporations in and had agreed that they would be assessed in a method that would produce revenue based on three or three and one-half mills. Now, the corporations accepted that tax, were glad to get it, did not leave Jersey City, and the assumption is that by adopting that type of reasonable taxation, corporations stayed here and they registered their offices here because they were receiving better treatment than business in other States.

Now, to say that these corporations are going to leave the State if a mill rate is instituted and that other corporations are not coming in if even a low millage rate is instituted, just does not square up with the fact that these corporations apparently are perfectly satisfied with the imposition of a low millage rate. And I have made this statement—I brought this question before the Commission in order that the record might contain an opposition to this proposal to exempt. Now, I understand former Commissioner Thayer Martin this morning also recommended the exemption of intangibles from taxation, and I think in the course of his statement he said the State Chamber had taken no stand on the form of substitute taxes to take the place of the taxes lost by exemption. That does not square with the statement made yesterday by Mr. Watson. He very definitely stated that business and industry would not accept or be satisfied with a low millage rate. They demand exemption.

I am going to close by reading a statement which sort of justifies the information that I say real estate owners and home owners are entitled to with reference to the treatment now being accorded corporations in order that they may reach a decision as to whether the exemption of these intangibles is necessary. (Reading from statement of former Tax Commissioner Thayer Martin.)

So, as I say, this proposal to tax intangibles at a rate of one or two or three mills seems so reasonable to a layman who possibly is not familiar with problems of business and industry that some greater explanation is needed. I think the other taxpayers are entitled to it before this question of the proposal of exemption outright is taken seriously.

Assemblyman GLICKENHAUS: You, therefore, advocate that the intangible tax be not repealed and you feel it should be leveled off at a certain millage rate to State and municipal government.

Mr. O'BRIEN: Yes, that is right.

Assemblyman GLICKENHAUS: The question, however, is: Shall the individuals who are not engaged in business enterprises be taxed on intangibles?

Mr. O'BRIEN: Absolutely. I had occasion, for your information, a few years ago, to examine a return of a property owner on his intangible property, and he made an honest return, and he made his return under oath. He showed he owned \$2,900,000 worth of intangibles—stocks, bonds and investments, and of the \$2,900,000 worth of intangible wealth that he owned—interest-bearing wealth, the only portion legally assessible was \$12,000 out of \$2,900,000, and still the law says to me as an assessor, “You go out and examine into the personal property of your home owners”—and after all, South Orange is a residential community—the law compels me to assess the dining-room furniture, the living-room furniture, the bedroom furniture and the baby's crib. It is utterly ridiculous. I see no reason why \$5,000 invested in a home should be assessed at a rate of \$4.61, which is our rate, and \$5,000 invested in an interest-bearing investment should bear no taxes at all. I say this, however: It would be unfair, it would be inequitable, to assess that \$5,000 intangible at a rate of \$4.61, but yet it would be entirely fair to assess that intangible, either on the basis of its income, or on the basis of its value at a rate of one mill or two mills or three mills. Anything else would not bring justice to this picture, and anything else would not return the ratables that would be there if a mill rate of one, two or three is to be had.

One of the recommendations that our Association makes is that this Commission make a very thorough investigation of the intangibles now enjoying exemption to see which of those exemptions may be returned to the tax rolls because they do not reflect or meet the exemption privilege. I have a report of exempted property made, I think, by Dr. Sly. It takes, as I recall, eight pages. It is only a partial list of the property exempted in New Jersey, and still it takes eight pages to list them.

Assemblyman GLICKENHAUS: Are there any specific exemptions you have in mind?

Mr. O'BRIEN: There are too many; I could not even remember them. I see no reason why stock in corporations should be exempt—Ohio, in its revision of the intangible tax, restored to the tax rolls the stock on domestic corporations—I see no reason why money in the bank, so long as we have a property

tax in New Jersey, should be exempted from taxation. I am representing the New Jersey Association of Real Estate Boards. They have taken the stand that they don't want mortgages on New Jersey real estate assessed. If you asked me individually, I would say that I see no reason why mortgages on New Jersey real estate should not be assessed on a fair basis. I had occasion some years ago to go to the Robert Treat Hotel to see a man who had a mortgage on a house of a friend of mine which he was threatening to foreclose. I found this picture: This man had \$800,000 worth of first mortgages on Essex County real estate. He was living in two rooms in the Robert Treat Hotel; he did not own a dime's worth of real estate; he therefore was not contributing a nickel to the Newark city government, Essex County or State government, outside of that proportion of his room rent allocated by the Robert Treat Hotel to taxes—and inasmuch as the Robert Treat Hotel had not been paying for years, no portion of it represented taxes. I see no rhyme or reason why that man should not be assessed on some basis, which would restore to the State a fair contribution, based on his ability to pay, as his contribution for the services which make his real estate investment secure and safe.

Senator VAN ALSTYNE: Mr. O'Brien, does that apply to income tax?

Mr. O'BRIEN: I say all taxes should be based on income. . . . I think real estate taxes should be based very largely on income. I see no difference, in other words, from confiscating intangible personal property, returning a rate of 2 per cent for security purposes, to its owner, by imposing a tax of \$4.61 on that intangible, thereby stealing the man's income and part of his principal, than imposing an annual tax on a vacant lot that has no income. I think all taxes should be based on income for the further reason you are taxing the flow of money. You are taxing where money is. It is a fair system of taxation.

The CHAIRMAN: I understand, Mr. O'Brien, the question you put before the Commission is this: Why should a man who puts all his money in real estate support State, county and municipal governments, but a man who puts all his money in securities pay nothing toward the support of government?

Mr. O'BRIEN: Certainly. That is an old question, nothing new about that. That has been asked many, many years. After all, we must not lose sight of the fact that real estate is the basis of all of our wealth. Our real estate must be made inviting. At least

a man to buy a piece of real estate must have some inducement for buying. I know properties in Newark, Jersey City and all of these congested areas where taxes take sixty, seventy and in some cases one hundred per cent of the total income. Some years ago in Newark on Broad Street, the main street, we had the spectacle of the trustees of an estate—the properties were free and clear—the trustees going before the court and asking for permission to abandon the property because the heirs refused any longer to pay taxes, that the properties themselves could not produce. Real estate is too important in our scheme of things in my judgment to have impressed upon it this ever-increasing load of taxation.

Assemblyman GLICKENHAUS: What do you suggest as a substitute?

Mr. O'BRIEN: As I said in this statement, there may be a whole lot of merit [in State administration] because of the inability of local assessors who are equipped with poor tools, who are the forgotten men in the local government structure to properly assess personal property. It may well be that the taxation of both tangible and intangible personal property should be handed over to the State Tax Commission section with the safeguard that the revenue derived be handed back to the municipality. As to the taxation of tangible personal property, the same evils are attached as are present in the capital tax on real estate. You take, for instance, the assessment of the merchandise in a drug store. Some of that merchandise because of its special character may remain in a drug store for five years before a purchaser is found. On the other hand, you take the Great Bear Stores, they turn over their merchandise twice a week. Still these two businesses are supposed to be assessed on the same basis. There is no rhyme or reason to it. The drug store man is very inequitably treated in the assessment of tangible personal property.

Mr. WATSON: Mr. O'Brien said he favors income taxation. Was Mr. O'Brien speaking for himself or his Association?

Mr. O'BRIEN: Our Association many years ago went on record for income tax.

Mr. WATSON: Do you know its present attitude?

Mr. O'BRIEN: Its present attitude has not changed.

The CHAIRMAN: Is Mr. Robert B. Daly present? (No response)

The CHAIRMAN: Are there representatives of the Board of Commissioners of Assessment of the city of Camden present? Will you identify yourself, sir?

**Statement of Maurice Clyman, President, Board of  
Commissioners of Assessment, Camden**

Mr. MAURICE CLYMAN: My name is Maurice Clyman. I am President of the Board of Commissioners of Assessment of the city of Camden.

Mr. Chairman, Members of the Commission: All I have to say this afternoon is very short and brief. The city of Camden always has been in favor of a mills basis of taxation on intangible personal property. We feel by having a mills basis it would be an equitable basis. We are in favor of the State of New Jersey setting up a Commission to set the rules and regulations for the collection of intangible personal taxes on a mills basis, but we say that if the rules and regulations are set up, the penalties and returns should be made by the State and the collections should be made by the local assessor.

I believe before I got here this afternoon some of my fellow assessors went on record that collections be made by a State Commission. We do not favor that. We favor a collection by the local municipality. Also in the assessment of and the collection of taxes we feel the amount collected only should be paid, not the amount assessed as is done today by real estate or personal property. As you know, the amount of ratables that are assessed in the local municipalities we have to pay the State and county 100 per cent of the ratables, even though we only collect 89 per cent.

We are wholly in favor of a new regulation of the entire State on a uniform basis, but to be collected by the local municipality. We are in favor of it a hundred per cent. For years I have been advocating this method of tax on intangibles. Are there any questions?

Senator VAN ALSTYNE: Do you have any particular millage figure in mind?

Mr. CLYMAN: I have four mills in mind. I have checked with other States throughout the country being a member of the National Association of Assessors. I attended the last convention in Des Moines in October and made it my business to find out their views. They all agreed on an average of 4 per cent.

Senator VAN ALSTYNE: Will you tell us how much the total assessed valuation on intangibles in Camden is—what the tax amounts to?

Mr. CLYMAN: Very little. I think we only have seven or eight hundred thousand intangibles assessed.

Senator VAN ALSTYNE: What is the tax rate?

Mr. CLYMAN: \$4.94.

Senator VAN ALSTYNE: That brings it to \$28,000.

Mr. CLYMAN: About \$30,000.

The CHAIRMAN: Thank you, Mr. Clyman.

The CHAIRMAN: Is Mr. Robert R. Daly here?

(No response)

Mr. Leo Mattersdorf, who addressed the Commission yesterday morning as a technical advisor of the New Jersey Bankers Association has asked to make a statement. Mr. Mattersdorf.

**Statement of Leo Mattersdorf, Tax Consultant, New Jersey  
Bankers Association**

Mr. MATTERS DORF: Mr. Chairman, Members of the Commission: I am deeply grateful to the Commission for giving me another opportunity to make a statement, but this time I should like to make it on my own behalf as one who has not only been active in the study and business application of Federal and State taxes, but one who has studied the taxation of tangibles and intangibles.

I could not help but look at the motto of the State of New Jersey which is on the great seal above the Chair, when the persons present here today and yesterday advocated the retention of the tax on intangibles. You will note, it reads "Liberty and Prosperity."

Gentlemen, we have liberty here. It gives me a very comfortable feeling to know that we can come before a body such as yours and give our views, all of which I am sure are given sincerely, of what we think the tax structure or legislative structure of our government should be. There are very few countries in the world today where you can still do that.

The second word of importance in that motto is "prosperity." I cannot help but feel that if the intangible tax is retained in New Jersey you will not have prosperity. Allusion has been made to the fact that Ohio has a tax on intangibles. Mr. Watson yesterday very ably pointed out that Ohio is, in a sense, an economic unit in itself. I can point out, for instance, that California is possibly far more self-contained. But, whether we like it or not, Gentlemen, New Jersey is part of the economic system of two great neighboring States, New York and Pennsylvania. Economics doesn't recognize geographic boundary lines.

A suggestion was made yesterday that cash shall be taxed at a one-mill rate. I might point out, Gentlemen, that the government in asking for subscriptions for war loans has asked that they be placed locally through local banks. Why? Because they do not

want any great movement of money—it upsets the economy locally and eventually nationally. We have had a lot of movement of money because of taxes on intangibles. I remember not so long ago around the first of January there was a tremendous exodus of cash of foreign corporations from the State of New York to Philadelphia and Chicago, the only other cities that had banks large enough to take large deposits. Why? Because there is a small license fee tax—a cumulative tax. The tax always goes up; as the capital within the State grows greater you pay a higher tax. One of the means of computing the capital in the State of New York was cash. Consequently, the easiest thing in the world was to take the cash out of New York and put it in another bank in another State. Around the second or third of January it came back. This situation is the same. A gentleman said yesterday that he would not consider cash on any one-day basis, he would consider it only on an average basis. The result is that your average bank balances will go down. There are banks in this State that have deposits of over a million dollars. But we should also consider those under a million dollars. Often a person or a corporation which has a low balance can pay it less easily than those having a larger balance. Why should any one in this State pay a thousand dollars tax for the privilege, if you will, of keeping a million dollar balance when the million dollar balance, or a good part thereof, would be welcomed with open arms in New York or Philadelphia or Chicago? I say this, that the average citizen is so constituted in this country that if there is an avenue of escape from taxation, he will take it and I don't blame him. You are going to drive that cash out, and if you do, the answer will be that the banks will not be able to grant credit because credit is based to some extent on cash balances. That means less loans to business in New Jersey, less loans for homes in New Jersey and less loans for building in New Jersey. It will lead to the loss of employment, first in the banks and then in the factories. Then you will have bread lines or selling apples on street corners.

The Legislature of this State, a few years ago, provided for the exemption of cash balances in the banks in this State. There was a good reason, because if they didn't do it the cash would move out, and there is no reason to believe that if exemptions were repealed the situation would be different today. I might say again that intangibles are not taxed in New York or in Delaware—in New York by constitutional provision. The constitution on that point is very clear.

It was also stated that a tax of three mills should be placed on accounts receivable. First of all, that would lead to discrimination as between those persons who do business on a cash basis or a short term credit basis as against the large industries which may have to grant longer credit. You have many heavy industries here and it is generally machine industries whose terms of credit are longer. There would be a duplication of taxation. Accounts receivable represent merely the inventory that has been sold. It will tax the same thing at a higher rate if the recommendation that intangibles as represented by accounts receivable be taxed at higher rates than inventories, be adopted. I am not going to go into the question of the taxation of tangibles because I do not believe your Commission at the present time is considering such a subject.

Another serious objection to the taxation of accounts receivable would be that it would result in credit restriction. If a man knows he has to pay a tax on accounts receivable on his books on a certain date, or on an average, he is going to see that he isn't going to have any accounts receivable by doing business on a cash basis or he will cut credit terms and thereby attempt to force his creditors to pay him sooner or he will increase his prices. The result will be that those business men cannot compete with others in States more favorably situated. That will lead to loss of business, it will lead to loss of employment, loss of industry, the closing of schools, closing of your homes and the stoppage of building.

Then there is another very important point. I do not believe that any Legislature can so define the situs of accounts receivable that there will not, in any event, be a loophole. You can define the situs in pages and pages of statutes, yet you will not be able to tax accounts receivable to the full extent. These proposals, Gentlemen, will not make intangibles less concealable. I don't care how many reports you get, it will not help. Suggestions have been made that copies of income tax returns be filed. If you are going to have the tax, you should have all the information you can get. What good will the income tax returns do you in the case of a corporation doing business in more than one State? You will have a balance sheet listing assets, but you won't know where they are located and they won't be located here if it can be helped.

I wonder if some of the gentlemen who suggested a three-mill rate realize that a three-mill rate on a 3 per cent bond is equal to a gross income tax of 10 per cent. If the bond yields 4 per cent, the tax of  $7\frac{1}{2}$  per cent is higher than the income tax in New York, and higher, I believe, than the current rate in Pennsylvania.

I frankly feel, Gentlemen, the consideration is not the immediate dollar of revenue; the consideration is the potential dollar. I can go into business today and I could charge all I want, but I probably will not obtain a dime's worth of business next year. It is the same with the State. The State has to be interested in the potential dollar to keep the business here. New Jersey has its place in the economic picture, not only with the States surrounding it, but in the Union. I think if attention is paid to the potential dollar New Jersey will get by keeping business here, by keeping the families here and keeping the taxpayers happy, then its motto will be fulfilled. Thank you.

The CHAIRMAN: The Commission in the last two days has received two complete plans. One by the New Jersey Bankers Association; one by the New Jersey State Chamber of Commerce. These plans are complete in the sense that they are definite and contain rates which permit an estimate of their probable effect. Now, after two days of hearings, would Mr. Watson care to comment on the Chamber's proposal?

**Statement of Russell E. Watson, Counsel, New Jersey State  
Chamber of Commerce**

MR. WATSON: Mr. Chairman, Gentlemen of the Committee. I am very glad indeed to have this invitation. I have been sitting through the hearings yesterday and today, listening attentively to all that was said except the tendency of Mr. Glickenhau to bow his head below that counter so that I could not hear his enlightening questions. Except for that, what I have heard has intensified my faith in the soundness of the proposals of the State Chamber which are akin to the proposals of the State Banking Association. I shall comment on the difference.

Now, as you said, Mr. Chairman, it must be said for these two organizations that they have presented to you definite plans. Upon reflection you may think these plans are scientific or unscientific, feasible or unfeasible, but they are plans. Others—I do not speak with any derogation whatever—others have spoken in general terms and there is all the difference in the world between the results of the application of these general proposals when they are translated into specific proposals.

The very general treatment of this subject of exemptions will determine whether all of these plans have merit or not, depending upon whether the present exemptions are continued or whether they are abolished, in whole or in part, and these gentlemen who have advocated that particular proposal here, will find themselves on the horns of one dilemma or another.

May I read just three or four paragraphs from the Supplemental Statement of the State Chamber?

(Mr. Watson read the following:)

“Less than one-fourth of all intangibles are taxable.

“The distinction between taxable and exempt intangibles is arbitrary, capricious and unjust.

“Why should a \$500 investment in General Motors stock be subject to an ad valorem tax and an equal investment in Standard Oil Company stock be exempt?

“Why should a bond secured by a mortgage on real or personal property be exempt and a general debenture unsecured bond be taxable?

“Why should an account receivable or a promissory note be taxable but exempt if it be secured by a chattel mortgage?

“These questions admit of no logical answers. They demonstrate the inequities, unsoundness and unjustness of the present law. They bring into clear relief the futility of any attempt to administer or enforce it.

“It is impossible to build a sound structure for the taxation of intangibles upon any such false and insecure foundation.

“If the question be asked: ‘Why should not the three billions more or less of taxable intangibles now outstanding be taxed as other kinds of property are taxed?’, the answer is: ‘For the same reason that the other six or seven billions of exempt intangibles are not taxed.’

“All of which leads irresistibly to the conclusion that the taxation of intangibles is so confused, illogical, inequitable and unsound that, in effect, three-fourths of it have already been abolished and, for the same reasons, the remaining fourth should likewise be abolished.”

Let me correct Mr. O'Brien. I didn't say that the present \$3,000,000,000 or so of intangibles should be taxed because \$6,000,000,000 or \$7,000,000,000 were exempt. What I said was that there were good reasons for the exemption of the \$6,000,000,000 or \$7,000,000,000 and the same reasons applied to the remaining \$3,000,000,000.

Now, Gentlemen, if we were starting to write a new tax law—repeal the personalty tax law and write a new tax law. If we want to do that your situation would be infinitely easier. I think we would all concede that this is impossible, but in doing so your

situation would be much easier than that in which you find yourselves because if you attempt to rear any structure upon the present taxable intangibles, it will be unsound, unenforceable and discriminatory. If, on the other hand, and here is the other horn of the dilemma, you attempt to bring within the scope of a State tax presently exempt intangibles you create insuperable political barriers.

I intend to prove by the testimony of my friend, Mr. O'Brien, that it makes all the difference in the world whether the presently exempt intangibles shall be continued or brought into the taxable class or not. Now, it is very easy to speak about a three-mill tax—that is very low. Three mills isn't much. Or, as one speaker said, a four-mill tax. What is it? On a 3 per cent coupon taxable bond, it is equivalent to a 10 per cent income tax. On accounts receivable it is a tax upon an asset which earns no return whatsoever. This four-mill tax, which was just proposed is about a 13 1/3 per cent income tax on a 3 per cent bond. When you convert three or four mills into percentage of income tax you are advocating a very heavy income tax. And here is the importance of these exemptions. If you continue your present exemptions this income tax would be discriminatory in that it would apply to only three important categories of personal property. Let me tell you what they are. Such a system would not only be objectionable, but would be highly reprehensible, and I am sure this Committee would do nothing reprehensible, because it would amount to a large income tax on accounts receivable, stocks of foreign corporations, cash in hand and in banks outside the State and on unsecured notes and bonds.

Now it is not conceivable that this Committee would recommend what would amount to an income tax upon three or four selected classes of intangible personal property. What is your alternative? To bring into the taxable class all these exempt intangibles? We submit that would just create insurmountable political barriers, and once again nothing will happen.

Now, said one speaker, Mr. Martin: "Let's replace the school tax; let's exempt all tangibles; let's replace the school tax." Before I take that up I would like to say a word about replacement tax. It is history that replacement tax does not replace. The taxpayer finds himself very shortly with two taxes to pay—the original tax and a replacement tax. The classic and tragic example of that is the present plight of New York City. It has everything in the way of replacement taxes known to mankind until recently

when Mayor LaGuardia plunked some more on, that were unknown. Real estate has tax limitations of 2 per cent. Assessments are 150 per cent or 200 per cent or more of the market value; it has excise taxes of all kinds; sales taxes of all kinds and still real estate is unrelieved.

One of the speakers spoke of the situation in New Jersey where real estate is assessed at 150-200 per cent of its market value. We all know about that. I know about one organization with millions of dollars in mortgages on property in one of the counties of this State, where the tax collector gets 65 per cent of the net income, and if you counted a fair depreciation the owner gets nothing. But you couldn't relieve real estate in those instances, Gentlemen, by tinkering with intangible taxation or tangible taxation or anything else. The remedy there is the cost of government. Those situations exist in localities where government is extravagant, wasteful and worse. The key to the relief of the real estate burden is not assessment rates or replacement taxes. The solution lies in good government controlling the cost of government—economical, honest administration; and it will come in no other way.

What is the real estate burden? Ninety per cent? Eighty-five per cent? It doesn't make any difference. But what real estate burden are you talking about? At the local level, I think it is about 90 per cent. When you come back to the State level, the total State and local taxation of real estate is 65 per cent. If you exclude Social Security tax and Unemployment Compensation tax, it is only 50 per cent. The true burden of taxation is on three levels: Federal level, State level and municipal level, and at that level real estate is 18.3 per cent of the total. When we think about the burden of real estate taxation, what burden are we talking about? If we are discussing the total burden, then the burden of proportionate real estate is only 18.3 per cent. I know it is a long way from 90 per cent.

May I get back to where I was? Another interesting observation was made by the Assessor of Irvington. He told you what he would do to this law to make this work. He had more teeth in this law than I have in my head, and I still have all my teeth but one. Let's be realistic—what would happen? As the last speaker said, New Jersey is a part of the economic units of two neighboring States. Every kind of intangible property which could leave the State would have left; only those that can't get away would stay. We are speaking of the importance of exemptions. He would replace the school tax; he would add something for future increases in the cost of government, the extent and amount of which cannot

In Massachusetts and New York they have a franchise tax based on net worth. It is also measured by net income, whichever is greater. If the corporation has an income it pays an income tax; if it has no income then it pays a net worth tax. When I say this is a 10 per cent income tax, I am thinking of it in terms of a tax upon people who either now don't pay such a tax or people who are not subject to it under the present exemptions, but I am thinking of it in terms of the opposition to our bill which they will be able to bring. I am thinking in terms of realism.

Assemblyman GLICKENHAUS: According to you, all the suggestions made today offer no solution by which the Commission could make definite recommendations?

Mr. WATSON: I don't believe one is possible.

Assemblyman GLICKENHAUS: Do you favor the removal of the tax inequality?

Mr. WATSON: Yes, if you do that you will also remove a substantial part of "tax lightning." It will be a definite solution.

Assemblyman GLICKENHAUS: Could you tell me what will be the result as far as the comparative figure, of the increase in franchise tax as compared to the amount actually paid by the corporations?

Mr. WATSON: No matter where they are?

Assemblyman GLICKENHAUS: Will it be a lesser amount or greater?

Mr. WATSON: More. As I said yesterday, and I repeat, at least we have this virtue. We have tried to prove our figures; some of these figures are not provable. I said yesterday we investigated as carefully as we could, with the means and time at our disposal, by going to the principal fact of how much is now collected in intangible taxation. I think what you got here verifies our figures; it isn't much more than \$1,500,000. If you doubled the franchise tax you get another \$1,600,000.

Assemblyman GLICKENHAUS: Did you include operating corporations in your study?

Mr. WATSON: There would be some operating corporations undoubtedly. There might be individual operating corporations which pay an intangible tax. I don't know of any; there might be some. In any such case their doubled or trebled franchise tax might be less. If you are referring to the Flemington corporations, it is a different situation; what their effect would be upon that we don't know. We have tried to find out, we can't. That would not be made available to us. It is available to your Commission and we suggest that you seek that information.

The CHAIRMAN: Mr. Wollmuth.

**Statement of Edmund W. Wollmuth, Executive Vice-President,  
Newark Chamber of Commerce**

MR. EDMUND W. WOLLMUTH (Executive Vice-President, Newark Chamber of Commerce): I rise to the privilege of speaking because of the absence of Mr. Martin. He was obliged to leave. I will be very brief, too. Mr. Martin filed on behalf of the Newark Chamber a statement in writing with the Commission. That statement is somewhat more conclusive than the remarks orally to the Commission. Recognizing that your time is also valuable, I want to make the observation that he talked up to the members of the Commission here today and not down to them.

In the first place, he recognizes that the Commission knew a good deal about the problem. He did very definitely suggest that certain things should be taken into account and should be reviewed as this is a very important thing for the business of the State. He did not say, however, that he also interviewed a great many industrialists and other businesses, including retail distributors and they are greatly concerned about the possible effect of "tax lightning" on intangible property, and for a very good reason.

The Newark Chamber does not oppose the general over-all plan, or rather the partial plan of the State Chamber, and we so state in the last paragraph of our statement, a copy of which we will be glad to send Mr. Watson. We didn't have them completed before to send to others than the Commission. I should like to read just the last part of that statement:

"If your Commission feels that it cannot at this time recommend the complete removal of the fear of "tax lightning," of course the elimination of intangible property use in business would be a step in the right direction. In that case, however, every effort should be made to take the additional steps in the near future. Until this ever present threat of the possible taxation of personal property at full value at rates from 3 to 5 per cent has been completely lifted, New Jersey cannot hope for the expansion of New Jersey's business and industry."

That is the nub of the argument presented by the Newark Chamber of Commerce. It is important because we have lived through this as no other city in New Jersey. And presently because the taxing authorities of the City of Newark have proceeded to undertake to do what they did in 1934, which resulted in the ruin of many businesses and the removal of them from the State.

At the present time, the Revenue and Finance Department, headed by the Mayor of our city, Mr. Murphy, is asking people to come in who have tangible values, for the purpose of jacking them up. One reason for that is that the Tax Board has made many revisions in the assessment on the real property of the City of Newark and obviously the Local Board is almost compelled to seek another source at higher levels.

We do not oppose the plan proposed by the State Chamber. We would like to be in accord on these things. Beyond that we believe the Commission would be justified in its wisdom not to forego the need for studying this problem of the intangible property assessment which is in the same position now as is the intangible "tax lightning."

In our community apparently our taxing authorities have seen the danger and futility of modifying this "tax lightning" on intangibles. They have seen the vast degree of damage done in our city. They know that real estate can't be covered any further; that in imposing this "tax lightning" they are going to do it in a much better way than before. They hope to bring about an adjustment that is "tax lightning" in a modified form. That is what they call it.

Mr. CHAIRMAN: Mr. Kellogg.

**Statement of Frederick S. Kellogg, General Counsel, Manufacturers Association of New Jersey**

Mr. KELLOGG: It has been suggested that I, representing the Manufacturers Association of New Jersey, said that we would welcome, or were willing, or were satisfied with a three-mill tax on intangibles. If I said that, and I deny that I did, I want to withdraw it. I never want to be understood in any respect as representing that the manufacturers would welcome a three-mill tax. I stated my own personal opinion that a three-mill tax was a lot better in effect than the danger of "tax lightning" under the present system. I do not wish to be understood at all as saying that the manufacturers will welcome or are willing to be taxed on a three-mill tax rate, or anything else.

The CHAIRMAN: This completes our schedule for today. The Commission is very grateful for the time and effort you have brought to these hearings and the counsel and judgment you have brought to the Commission. The public hearings of this Commission are now concluded, and the meetings adjourned.

[Whereupon, at 4:15 P. M. the hearings were adjourned, the Commission to reconvene on call of the Chairman.]

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**SUPPORTING STATEMENTS AND  
SUPPLEMENTARY MATERIAL**

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## SUPPORTING STATEMENTS AND SUPPLEMENTARY MATERIAL

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### **Statement by Jay J. Kisz, Assessor, Borough of Flemington, New Jersey, Pertaining to the Intangible Tax Situation in Flemington.**

There has been so much misunderstanding about the intangible tax situation at Flemington that I am pleased that an independent commission has been appointed to ascertain the facts. I therefore offer the following in the hope that it will aid you.

#### **History**

In 1937 the law firm of Lindabury, Depew and Faulks made a comprehensive survey of the various counties of the State, with a view of locating the statutory office of one of its important clients in the most desirable county, and having selected the county, then to choose a municipality and a responsible individual therein to act as agent. Sound government management, stability and integrity were prime factors to be taken into consideration. As a result of this survey and analysis, Hunterdon was selected as the county, Flemington as the municipality and Judge Large as the agent. Corporate offices moved to Flemington without any solicitation from anybody and without any inducements of any kind other than those present in the foregoing specifications and the expectation that the addition of ratables which the companies would bring, without increase in expenses, would result in low rates. No favors were asked or received. All companies pay at the top level of assessments in Hunterdon County and Flemington at the general rate. The experience has been such that 170 odd companies, mostly from Jersey City, have moved to Flemington. I have endeavored to assess all of them on the same basis and, so far as I know, all are satisfied that their assessments have been fair, legal and honest.

#### **Flemington**

In Flemington, the Mayor and Council work without pay; the fire department is manned by volunteers, there are but two regular policemen and one extra, the sewer department has one operator, the modest municipal building is a plain, two-story edifice having the fire apparatus on the first floor and provides a council room on the second floor.

In other words, the officials carefully weigh the expenditure of public funds. These practices may be old fashioned and impractical in many places, but the adoption of similar ideas of thrift and economy would tend to remedy the high tax rate difficulty in many of the State's municipalities and thus attract ratables. The county and borough are free of net debt, each having a balance enabling it to purchase war bonds.

Why should any corporation select a place of residence where it must pay for extravagant municipal services it doesn't need or want, when it has no employees in the State to use them? Ninety-six per cent have no plants in New Jersey.

#### Tax Rate

The tax rate here is the obvious result of a mathematical calculation. The ratables divided into the sum required produces the rate. The increase in ratables, which the corporations, themselves, supplied, without increase in expenses, brings a low rate by operation of law—not by trickery or manipulation.

#### Places Affected

Since approximately 97 per cent of the corporations moved out of Jersey City to Flemington, as a practical matter, the other nineteen counties in the State were unaffected by the change, unless it be that the assessment on intangibles is approximately twelve times more in Flemington than in Jersey City, which affects the State school fund revenue to that extent. The criticisms of a situation where the law is more nearly complied with than in any municipality in the State seem to come from sources where the imposition of an intangible tax has never been tried. When companies were going into certain counties the law was not criticised; only when they move out are the critics audible.

#### Tax Laws

There are already ample provisions for the lawful and proper assessment of property, for the equalization of taxation, for tax appeals, and all needed remedies to procure equitable taxation.

If evils exist, they are due to the local human failure to properly apply the present laws rather than to a lack of authority and right to obtain justice.

The corporations came to New Jersey under existing laws. Too much change and added burdens may cause them to move to Delaware.

#### Home Rule

If the citizens of any given county prefer to omit the taxation of intangible property, as many now do, they should accept the consequences. It does not greatly affect the other counties or municipalities and is properly a matter of home rule. Even though the omission increases the burden on real estate and obviously is not in accordance with existing laws, any aggrieved taxpayer now has a full and complete remedy, but he should not criticize a municipality where the legal course is pursued.

#### Exemptions

It does not seem to be recognized that there are now laws which exempt and lessen the burden on intangible property in a number of important respects:

(a) Deposits in New Jersey banks are already exempt from taxation and these sums constitute an important element in the deposits of New Jersey banks, whereas funds on deposit elsewhere and not taxable, are taxed here.

(b) U. S. securities and currency are exempt.

(c) Debts owing to New Jersey creditors are exempt as are notes payable to New Jersey creditors and accrued liabilities to New Jersey creditors.

(d) Stock of New Jersey corporations.

(e) Stocks in foreign corporations where the properties represented by the stock are taxed elsewhere are exempt as are other intangible assets taxed elsewhere.

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### Constitution

As I understand it, the New Jersey Constitution provides that "*property shall be assessed, etc.*," and I know of no provision which permits the *omission* of a general tax on intangible property.

### Abolition of Intangible Tax

It would appear that the suggested abolition of the tax on intangible property, if constitutional, could hardly relieve the burden on any other property. Doubling of the franchise tax and abolishing intangible property tax would doubtless lower costs to large corporations now paying intangible tax but would tend to stop other corporations from incorporating in New Jersey. It would also penalize the municipalities complying with the law.

Since property is the basis of taxation and since merchandise is taxable, it is logical that the "receivable" that replaces the commodity should be taxable.

Corporations having 50 per cent of their manufacturing plants in New Jersey are now excused from paying franchise tax.

### "Colonization"

Since the law compels all companies incorporated in this State to have a New Jersey office, with an agent in charge, and since several hundred have had offices in Jersey City for twenty or more years, no stigma of impropriety can properly attach to the fact that some of them exercised their legal right to move to Branchville, Rockley, Flemington and elsewhere. Surely they have as much lawful right to be in these places as in Jersey City.

### "Confiscation"

So long as property is the basis of taxation, it is no more "confiscation" to apply the general rule to intangible property of the wealthy than to unproductive real estate and other forms of property. The "confiscation" lies in the excessive rates, largely caused by politics, extravagance and poor management in the municipalities where such high rates exist.

### "Tax Lightning"

"Tax Lightning" appears to be the term used to express the fear of the critic that the laws of the State will be applied to the taxation of his property which has long escaped its proper share of the tax burden.

### Conclusion

The only attractions offered by Flemington and Hunterdon County were their reputation for sound, conservative management and the assurance of honest taxation and proper disbursements. If these have attracted \$265,000,000 of legitimate ratables to Flemington, this fact should not be the subject matter of criticism or attack on the part of the envious and misinformed—rather it should be recognized as the just reward for excellent conditions. It provides for the State one of its best assets—a place where the corporations may come and not be the victims of illegal or unjust taxation. To penalize a community in such circumstances under the guise of reform, would be the height of injustice.

JAY J. KISZ, Assessor.  
Flemington, N. J.

Dated November 27, 1944.

**Letter from Donald K. Stevens, November 21, 1944, Pertaining to the Relief of Real Estate from Taxation**

730 21st Avenue,  
Paterson 3, N. J.,  
November 21, 1944.

Mr. N. F. S. Russell, President,  
United States Pipe & Foundry Co.,  
Burlington, New Jersey.

*Subject:—Commission to Investigate the Question of the Valuation and Taxation of Intangible Personal Property and Related Tax Subjects.*

Dear Mr. RUSSELL:

It is with satisfaction that I note that we have one of our directors on this commission. I was on the State Unemployment Relief Commission and I know that commissions come and go and they are sometimes political means of pushing off troublesome problems. Much of their work goes into the archives and is forgotten. Sometimes a commission stirs up a "hornet's nest."

Our Taxpayers Association platform has stated for years:

"To oppose any and all new forms of taxation unless accompanied by protective measures which will prevent new forms of taxation from becoming additional taxes."

In addition, we have a specific paragraph in our platform as follows:

**"13. Reduction of Taxes on Real Estate:**

Many plans have been hopefully devised to reduce taxes on real estate. All such experimental plans have failed to accomplish their purposes. New Jersey has avoided legislation which would 'broaden the tax base' to include sales taxes, income taxes, business franchise taxes and other forms of taxation, which have been imposed in other States to relieve taxes on real estate but which, except for very short periods, have not 'relieved' but have resulted in increased total taxation. Without exception this is the experience of the many States that have tried the experiment of 'broadening the tax base.'

The one sure way to reduce taxes on real estate is through good management of local governmental affairs in such matters as improvement in the collection of taxes, liquidation of tax assessment liens, avoiding new debt, reducing general operating expenses and generally curtailing any and all expenditures of local government for which the money is raised by taxes upon real estate."

If I had my own way, I would introduce still another paragraph to this Item 13 above:

"Any alteration of the personal property tax or any introduction of an intangible personal property tax to bring about 'relief for real estate' would cause evasion, subterfuge and high collection cost with no relief."

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**Statement by**

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November 21, 1944.

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I talk about evasion and subterfuge because I know now that business corporations have the annual habit of taking cashier's checks so as to show their account zero on tax day in States where intangible personal property tax is in force. I know individuals and corporations both try to send their funds or their securities out of the State. I know that when I lived in Ohio everybody tried to treat their Federal income tax reasonably honestly, but I do not know of a single individual but what was striving by any means in his power to evade report of savings accounts or bonds or mortgages that he might own.

High collection cost does not need much comment. We know that these small nuisance taxes are difficult and costly to collect.

And as for relief for real estate, we know that knocking off a school tax or any other small tax would not mean a thing because sometime in the course of the next five or ten years the municipal fathers or the educationists or the people themselves would be out with some big project which would require the assessment of the people and put the tax on real estate right back up to where it was before.

I hear that the State Chamber of Commerce has had a committee studying this problem and has come to the conclusion that they had better do nothing about it. I understand that even Dr. Sly has admitted that the problem is too complicated to be solved to everybody's satisfaction or with any degree of simplicity.

Most certainly I do not want to see any new kind of taxes put into the State of New Jersey, either sales, or income, or business franchise, on intangible property. You know how long and faithfully I have worked to protect our three principles—economy, no new debt and no new taxes. You have always been with me and that is why I am so glad that you are on the commission. I think the commission should report no action is desirable. I think the commission should let well enough alone. If there are to be any hearings and you want me to come as an individual to express my views, I will be glad to do so.

Very truly yours,

D. R. STEVENS.

DRS:MK  
CC—Mr. A. R. Everson  
Blind copy: Mr. A. F. Metz

**Statement by Philip W. Blaze, Secretary, New Jersey Taxpayers Association,  
Pertaining to the Tax Policy of the Association.**

A. R. Everson, Executive Vice-President of the New Jersey Taxpayers Association, who normally would present the association's position in this matter, is ill. In his absence I am in a position to define the basic attitude of the association through its platform which pledges:

"To oppose any and all new forms of taxation unless accompanied by protective measures which will prevent new forms of taxation from becoming additional taxes."

This section of the current platform only last week was recommended by the board of directors of the association for inclusion in our 1945 platform.

Together with that section of the platform in which the association declares its purpose "to reduce the tax burden upon all persons and property in the State

when consistent with the public welfare," this declaration is translated into the association's Program of Action under the heading "Reduction of Real Estate Taxes" as follows:

"Many plans have been hopefully devised to reduce taxes on real estate. All such experimental plans have failed to accomplish their purposes. New Jersey has avoided legislation which would broaden the tax base to include sales taxes, income taxes, business franchise taxes and other forms of taxation which have been imposed in other States to relieve taxes on real estate but which, except for very short periods, have not relieved but have resulted in increased total taxation. Without exception this is the experience of the many States that have tried the experiment of broadening the tax base.

"The one sure way to reduce taxes on real estate is through good management of local governmental affairs in such matters as improvement in the collection of taxes, liquidation of tax assessment liens, avoiding new debt, reducing general operating expenses and generally curtailing any and all expenditures of local government for which the money is raised by taxes upon real estate."

In the absence of any definite recommendations by your Commission, the majority of our directors felt that the association should hold an open mind in the matter until concrete proposals are made.

**Letter from Vincent J. Murphy, Mayor of the City of Newark, December 9, 1944, in Consideration of the Problem of Taxation of Intangible Personal Property in New Jersey.**

THE CITY OF NEWARK, NEW JERSEY

VINCENT J. MURPHY

MAYOR

December 9, 1944.

*New Jersey State Commission on Taxation of Intangible Personal Property,  
Trenton, New Jersey.*

GENTLEMEN—I had hoped to have the opportunity to appear in person before your Commission on Thursday, November 30th, but intervening and unexpected appointments prevented me from doing so. I appreciate your courtesy in permitting me to file this statement instead.

In the consideration of the problem of taxation of intangible personal property, I think that certain facts may well be taken as admitted. They are:

(1) The present administration of the assessment of intangibles by the various municipalities has resulted in a hopeless confusion. Opportunity for corruption is a stark reality. "Tax Lightning" is a recurrent blight. Unfair competition among municipalities is constantly going on, with brisk bidding by municipal officials for the "favor" of offering a nominal residence to corporate entities.

(2) Some municipalities have made a sincere effort to relieve home owners of some of their burden by levying against intangibles. Others have totally ignored this source of taxation. Therefore, while revenues from this source may run between \$1,500,000 and \$2,000,000, they come in disproportionate amounts from the various municipalities.

(3) The tax owners, is already burdens upon the part of their load

(4) Intangible a cause of the local administration the franchise taxes, the an income tax, it is true that some taxation of intangibles within the State State altogether

(5) The tax companies should on these matters of both the insured would be to deprive and load an intangibles. In Newark about \$4,000,000

Let me indicate 1944, the city assessed \$68,500,000 represented 54:4-20; \$5,500, \$3,000,000 was assessed is made up of five

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Furthermore, an asylum for corporations should direct our factories, and other and tangible assets can easily over a State-wide basis.

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(3) The taxation upon real estate, and, in particular, upon the smaller home owners, is already far too high, and nothing should be done to impose heavier burdens upon them. In fact, every effort should be exerted to relieve them of a part of their load.

(4) Intangible taxation in itself, if properly administered, will not be and is not a cause of the loss of industry by our State. It is its improper and capricious administration that is the source of such loss. New Jersey's liberal corporate franchise taxes, taken together with the absence of other taxing methods such as an income tax, present a great attraction to industry which cannot be ignored. It is true that some industries hesitate to move into New Jersey, for fear of arbitrary taxation of intangibles; some move their "principal offices" from place to place within the State; but it is extremely rare for corporations to move out of the State altogether for this reason.

(5) The taxation of intangibles of life insurance companies and fire insurance companies should not be altered in any way. The comparatively recent statutes on these matters have properly stabilized this type of taxation to the satisfaction of both the insurance companies and the municipalities. To disturb these statutes would be to deprive such cities as Newark of millions of dollars of annual revenue, and load an intolerable burden upon the already overburdened real property owners. In Newark alone, life insurance companies and fire insurance companies pay about \$4,000,000 annually.

Let me indicate the present situation in the City of Newark. For the year 1944, the city assessed a total of about \$83,000,000 in intangibles. Of this amount, \$68,500,000 represented property of life insurance companies, assessed under R. S. 54:4-20; \$5,500,000 covered fire insurance companies, under R. S. 54:4-22; \$3,000,000 was assessed against Public Service Holding Company; and \$6,000,000 is made up of finance companies, manufacturing and business companies.

I do not believe that there can be any reasonable disagreement with the facts or conclusions above indicated. I am aware of statements made to your Commission that intangible taxation is keeping new industries out of the State for fear of "tax lightning." I can agree with this only to a very limited extent. In my experience, it is not the taxation of intangibles itself, but the possibility of caprice on the part of municipal assessors that creates this reluctance.

Furthermore, our anxiety should be, not to establish our State as a mere asylum for corporate "home offices," as an escape from taxation elsewhere. We should direct our attention toward the establishment and attraction of actual factories, and other organizations which offer substantial employment opportunities and tangible assets. Our favorable geographic location and natural advantages can easily overcome the tax problem, if this problem is handled equitably, on a State-wide basis.

I am therefore opposed to the suggestion that the tax on intangibles be eliminated altogether. To do so would be grossly unfair to real property owners, who would have to bear the additional costs involved. To double the franchise taxes would in no way solve this problem. The approximate increase of \$1,600,000 in State revenue would not help the municipal taxpayers, especially in Newark, even if this increase were to be distributed to the municipalities. Newark has made an effort to find and levy equitably upon intangibles. It is now collecting a portion of its tax from this source. Its share of the increased franchise tax would not approach the amounts we now collect.

However, I strongly favor the imposition of the intangibles tax on a State-wide basis, collected at a few mills on the dollar. The adoption of such a State tax would have, I believe, the following results:

- (1) It would eliminate abuses, "tax lightning," and competition between municipalities.
- (2) It would result in the full enforcement of the law everywhere in the State, and thus very substantially increase our revenues.
- (3) It would remove the fear of arbitrary assessments, and establish an equitable and continuing basis of taxation. New businesses could accurately budget the amount of this tax in advance, and would therefore not hesitate to move into our State.
- (4) Real estate owners would receive substantial tax relief.

The adoption of such legislation should be accompanied, however, with a provision for redistribution, on a pro rata basis, of all such revenues, less expenses, to the municipalities. This tax has always been considered a property of the municipalities and should so continue. None of it should be retained by the State.

A major point to be considered is the manner of distribution of this tax. Newark has suffered in the past from the removal of the "chief" or "registered" office of a corporation, while its place of doing business has remained in the city. For example, one large corporation avoided taxation by moving its registered office, with a few books, to the office of a coal yard in another city, while leaving its entire business personnel and its offices in Newark.

I strongly recommend that this device of tax-avoidance should be eliminated in any new legislation. This can be done by providing that the intangible taxes be returned to the municipalities from which they are collected, and that they be levied and collected in the municipality where the company's main business is carried on, not where the "chief" office or "registered" office is located.

It has been suggested that the intangibles tax should be used for the State school fund, and not distributed to the municipalities. I submit that this device could be used eventually as a subterfuge to deprive municipalities of this historic source of revenue to which they are entitled. While it would perhaps result in some temporary relief to the City of Newark, it would be a step toward our ultimate deprivation of this income, which is so sorely needed. It is far better to use the State Government simply as a collecting agent, rather than to turn the revenue over to the State for its own uses, with the danger of a diversion of these funds to other purposes.

Finally, in giving consideration to the problem of intangibles taxation, may I strongly recommend a classification of R. S. 54:4-19, "Taxation of Foreign Corporations." Without repeating the language of this section here, since it is, without doubt, familiar to the members of your Commission, I suggest that it is so vague, uncertain, and is understood by so few people, that an amendment is requisite.

In summary, therefore, I suggest:

- (1) Legislation providing for collection of taxes on intangibles by a State agency, based upon a few mills per dollar of valuation. The rate should be enough to equal the amount now collected by any municipality from this source of revenue.
- (2) Redistribution of all funds so collected to the municipalities in which the main business of the taxpayer is carried on, less the cost of assessment, collection, and distribution.

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(3) Permit the provisions relating to the school fund to remain as they are (with modifications to provide for a more equitable distribution. This problem, however, is not for the consideration of your Commission).

I trust that you will consider that the books and records of the City of Newark are always open to your inspection for any data desired by you.

Very truly yours,

VINCENT J. MURPHY, *Mayor*.

**Report of the Personal Property Tax Committee of the New Jersey State Chamber of Commerce, September 15, 1944, Containing the Conclusions and Recommendations of the State Chamber Pertaining to the Taxation of Intangible Personal Property.**

THE TAXATION OF INTANGIBLE PERSONAL PROPERTY  
SHOULD BE ABANDONED

The existing New Jersey law provides that intangible personal property be assessed by local assessors at the local general property tax rate, and that the tax be locally collected. The law has been enforced arbitrarily, discriminately and capriciously in a few taxing districts, but intangibles as such have not been assessed for taxation at all in the vast majority of the municipalities.

The inequities in the enforcement of the intangible personal property tax law have worked to the economic disadvantage of the State. Many corporations have left New Jersey. Many other corporations have moved from one city to another within the State, in order to avoid imminent intangible taxation. Nearly 150 corporations have already migrated from Jersey City and Newark to Flemington, in Hunterdon County, and now rest uneasily in that tax haven. Numerous other corporations have moved to other localities for the same reason.

Governor Edge accurately described the situation in his message to the Legislature on Monday, March 27, 1944, in which he said:

"It is common knowledge that the present law is widely and erratically evaded because of the unwillingness of local assessors to tax intangibles at the required local rate on real estate. It is equally common knowledge that should intangible personalty be taxed at the local rate, that such a tax would be confiscatory.

"There is, however, the ever-present danger, graphically described as 'tax lightning,' that this rate might be enforced locally and the fear has caused great unrest among New Jersey corporations. It is reported that many companies have refrained from entering New Jersey, that others have left the State, and that still others have 'colonized' in selected municipalities that seem to offer protection from unfavorable tax treatment."

The taxation of intangibles at true value at general property rates is a demonstrated failure not only in New Jersey but elsewhere. It should be abandoned both in law and in fact.

Only six states still retain the system of taxing intangibles at true value at the general property tax rate. They are Arkansas, Maine, Missouri, New Mexico, Texas and New Jersey.

Thirteen states have substantially exempted intangibles from taxation. The other states have adopted, in general, one of the following methods:

Flat rate annual tax on capital value .....	14 States
Variable rate annual tax on capital value .....	4 States
Flat rate non-recurring tax on capital value .....	2 States
Flat rate annual tax on income .....	9 States

Capital value may be true value, market value, books value or some proportionate part thereof.

The application of the general property tax rate to intangible property, which is the New Jersey law, has been universally condemned by all students of taxation. Its history is one of continual failure. It is confiscatory, ineffective, and unenforceable. Attempts to enforce it have resulted in avoidance, evasion and flight of intangibles from the tax jurisdiction.

The experience of all of the states and the conclusions of eminent authorities on the subject confirm the experience of New Jersey that the present system of taxing intangibles is a demonstrated failure. The debatable question is what, if anything, should be substituted therefor.

As is hereinafter noted, none of the methods of taxing intangibles in practice in the other states has been satisfactory or effective except in a few cases where stringent enforcement provisions have been adopted, the wisdom of which under New Jersey conditions is highly debatable.

The taxation of intangibles is difficult:

(a) The taxation of intangibles is nearly always double or multiple taxation because intangible personal property (except money in hand or on deposit) represents merely legal paper claims to existing wealth which is itself taxed. The taxation of intangibles therefore creates resistance which results in evasion and avoidance. It encourages numerous confusing and self-defeating exemptions.

(b) Intangibles are mobile. It is possible to move most classes of intangibles to favorable taxing jurisdictions.

(c) The taxation of intangibles promotes investment in securities which are exempt from the tax.

(d) The taxation of intangibles even at low millage rates is onerous. For instance, a tax of three mills on a bond having a market value of \$1,000 paying 3% annually is equivalent to a 10% income tax. Added to the present high Federal income tax rates, such a tax would be burdensome, would cause evasion and avoidance and would encourage migration both of taxpayers and taxable securities.

(e) The tax is difficult to enforce. It has been the experience of other states without exception that the local assessment of intangibles is a failure. Local assessors lack the technical knowledge, experience and facilities necessary to assess intangibles. Therefore, the productive and effective taxation of

intangibles would assessments and intensive auditing, stringent enforcement

(f) The methods of taxation of intangibles create a corner market in an area which is not subject to its tax system is in violation of the principles of taxation entirely or in part.

(g) Low assessment rates are always subject to change and to approval by the legislature.

(h) The elements of a successful system of taxation of intangibles are: Only a few states have attempted to be successful, and the system is not strictly enforced.

The tax must be necessary. Intensive auditing and new bureaucracy.

The assessment of intangibles should be low and fixed. Some or all of the following are available:

Access to intangibles should be annually by stockholders. A taxable class of intangibles requirement can be taken by supply taxation by estates.

The experience of Missouri, which is designed and administered to be successful. Economically and geographically without impairing a State-administered land, which is the large geographical states. Cleveland outside Ohio.

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intangibles would require the creation of a large new agency to make the assessments and to collect the taxes, personal returns would be necessary, intensive auditing of returns would be essential, and drastic penalties and stringent enforcement procedure would be required.

(f) The methods adopted by the various states for the taxation of intangibles create a competitive situation. New Jersey is an important section of an area which is highly developed industrially and economically. Therefore, its tax system is in competition with those of other states which exempt intangibles entirely or levy low assessments or fix low rates, often with lax administration of the law.

(g) Low assessments or low fixed rates are not stable. Laws providing for assessment at some proportion of value or prescribing low millage rates are always subject to amendment under political pressures. This leads to unstable rates and to apprehension on the part of taxpayers.

(h) The elements of a successful system:

Only a few states have been successful in administering a tax on intangibles. To be successful, the law must have sharp teeth and it must be capably administered and strictly enforced.

The tax must be state assessed and state collected. Annual returns are necessary. Intensive audit is essential. This involves the creation of a large new bureaucracy.

The assessment must be at some proportion of actual value or the rate must be low and fixed or both of these features must be utilized.

Some or all of the following administrative and enforcement aids must be available:

Access to Federal income tax returns; collection at the source; filing annually by each corporation doing business in the State of a list of stockholders residing in the State; prevention of temporary shifts from a taxable class to a tax exempt class; a clear definition of business situs; a requirement that taxes upon evidences of debt be paid before legal action can be taken by creditors to collect; a requirement that probate courts supply taxing authorities with information concerning intangibles held by estates.

The experience of other states shows clearly that only an intangible tax so designed and administered and enforced with such ruthless stringency can be successful. Even then, it appears that only those states which are economically and geographically self-sufficient can successfully apply such a tax without impairing their industrial or business development. Ohio, which has a State-administered intangibles tax law, has a Federal Reserve bank at Cleveland, which is the financial, trading, transportation and industrial hub of a large geographical area comprising all of Ohio and parts of several contiguous states. Cleveland is 320 miles from Chicago, the nearest Federal Reserve city outside Ohio.

Missouri, which is considering the adoption of the Ohio system of taxing intangibles, is also an economically self-sufficient State, with Federal Reserve

banks at St. Louis and at Kansas City. These two cities are the financial, trading, transportation and industrial centers of an area comprising not only the whole of Missouri, but also a large section of the Mississippi and Missouri River Valleys.

Ohio and Missouri have no commuter populations.

New Jersey is neither economically nor geographically self-sufficient. Northern New Jersey is part of the New York metropolitan area. Thousands of its people earn their livelihoods in New York; its financial institutions are members of the New York Federal Reserve Bank; the headquarters of many of its industries are in New York City. Southern New Jersey is, in the same respects, part of the Philadelphia metropolitan area. New Jersey is the transportation corridor between Philadelphia and New York, both as to rail and motor transport, and shipping. Its close proximity to, and economic dependency upon, Philadelphia and New York would make it extremely difficult if not impossible to impose and collect an intangibles tax like Ohio's with any assurance that the most of the property thus taxed would remain permanently within this State.

The adoption of such a law by New Jersey would place it in an unfavorable competitive position with neighboring states. All intangible property which could do so would find refuge elsewhere. Therefore, it is the part of wisdom for New Jersey to abandon the taxation of intangibles.

#### FRANCHISE TAXES PAID TO NEW JERSEY BY DOMESTIC AND FOREIGN CORPORATIONS

Domestic corporations pay franchise taxes prescribed by R. S. 54:13-1 through 54:13-10. Foreign corporations pay franchise taxes prescribed by chapter 32 A of Title 54 of the Revised Statutes.

Domestic corporations subject to R. S. 54:13-1 pay franchise taxes at graduated rates upon the amounts (par value) of capital stock issued and outstanding in the case of corporations with stock having par value and at graduated rates upon the number of shares issued and outstanding in the case of corporations having stock without par value. Mining, manufacturing, agricultural or horticultural corporations at least 50% of whose capital stock issued and outstanding is engaged in mining, manufacturing, agricultural or horticultural pursuits carried on within the State are exempt. The minimum tax is \$5.00.

Foreign corporations doing business in New Jersey pay a franchise tax which is measured by and paid annually upon and with respect to that proportion of the total capital stock issued and outstanding as the gross income from the business done in New Jersey bears to the total gross income from its entire business. Varying rates are fixed. The minimum tax is \$25.00.

An analysis of the New Jersey Corporation Franchise Tax Laws appears in Table VI hereto appended.

Franchise taxes assessed against domestic and foreign corporations yielded about \$1,600,000 in the fiscal year 1942-43.

Table VI also and foreign corporations will be noted that \$2,034,000 in 1942-43 the departure of

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Table VI also shows the collections of domestic corporation franchise taxes and foreign corporation franchise taxes, beginning with the year 1932. It will be noted that domestic corporation franchise taxes have declined from \$2,034,000 in 1932, to \$1,240,000 in 1943. Much of the difference results from the departure of large corporations from the State.

#### RECOMMENDATIONS

1. That the taxation of intangible personal property under chapters 4 through 8 of Title 54 of the Revised Statutes be abolished.

The taxation of personal property of insurance companies, electric, gas companies, transportation companies and railroad companies, and of bank stocks would not be affected thereby.

2. That corporation franchise tax rates under the present law be doubled as follows:

	<i>Present</i>	<i>Proposed</i>
Minimum domestic corporation tax ..	\$ 5	\$10
Minimum foreign corporation tax ...	\$25	\$50

#### TAX ON PAR VALUE STOCK

Up to \$3,000,000 in capital stock issued and outstanding .....	1/10 of 1%	1/5 of 1%
\$3,000,000 to \$5,000,000 .....	1/20 of 1%	1/10 of 1%
Over \$5,000,000 .....	\$50 per million	\$100 per million

#### TAX ON NO PAR VALUE STOCK

Up to 20,000 shares .....	3¢ per share	6¢ per share
20,000 to 30,000 shares .....	2¢ per share	4¢ per share
30,000 to 40,000 shares .....	1¢ per share	2¢ per share
40,000 to 50,000 shares .....	5 mills per share	1¢ per share
Over 50,000 shares .....	2½ mills per share	5 mills per share

The taxation of intangibles is, in practice, disregarded in nearly all of the municipalities of the State. Therefore, it is believed that the additional revenues will offset any revenue losses resulting from the abolishment of the taxation of intangibles. A conspicuous merit of this recommendation is that the increased franchise taxes would be paid by the same group that would be relieved, actually or potentially, of the intangibles taxes.

The most important considerations are that New Jersey would rid itself of the handicap of what is popularly known as "tax lightning"; it would place itself in a more advantageous competitive situation; it would abolish the erratic, arbitrary, and oftentimes illegal enforcement of an unsound, uneconomic and obsolete tax law.

The benefits of repealing this unjust and unsound law cannot be measured solely in tax dollars lost thereby or gained by the suggested alternative. The more valuable benefits would flow from increased tax ratables, increased employment, and increased payrolls gained by the attraction to the State of new industry by reasonable and economic taxation.

TABLE I  
PERSONAL PROPERTY TAXES LEVIED IN NEW JERSEY COUNTIES  
COMPARED WITH ALL-PURPOSE PROPERTY LEVIES—1943

(Personal Property levies computed from Abstracts of Ratables. Household deductions and one-half of veterans' exemptions deducted from personal property valuation for purpose of computing taxable personal property.)

County	Total Property Tax Levy	Personal Property Tax Levy	Personal Levy Per Cent of Total Levy
Atlantic .....	\$8,184,451	\$658,513	8.0
Bergen .....	23,350,786	2,145,147	9.2
Burlington .....	2,798,616	275,000	9.8
Camden .....	11,947,676	1,547,568	12.9
Cape May .....	3,085,631	187,537	6.1
Cumberland .....	2,099,872	310,264	14.8
Essex .....	64,640,198	12,112,902	18.7
Gloucester .....	2,513,025	245,993	9.8
Hudson .....	48,145,815	8,289,699	17.2
Hunterdon .....	1,169,766	682,727	53.7
Mercer .....	10,321,108	1,575,419	15.3
Middlesex .....	10,933,895	1,646,547	15.1
Monmouth .....	9,503,971	678,672	7.1
Morris .....	5,498,047	507,809	9.2
Ocean .....	2,452,546	187,521	7.6
Passaic .....	16,206,885	1,716,922	10.6
Salem .....	1,316,442	378,037	28.7
Somerset .....	2,720,085	327,845	12.1
Sussex .....	1,184,330	136,470	11.5
Union .....	20,634,830	2,411,853	11.7
Warren .....	1,613,908	267,482	16.6
Total .....	250,421,883	36,289,927	14.5

PERSONAL P.  
COMP.

*Municipality*

- Absecon .....
- Atlantic City .....
- Brigantine City .....
- Buena Vista Towns...
- Corbin City .....
- Egg Harbor City...
- Egg Harbor Towns...
- Estell Manor .....
- Folsom Borough .....
- Galloway Townshi...
- Hamilton Townshi...
- Hammonton .....
- Linwood .....
- Longport .....
- Margate City .....
- Mullica Township
- Northfield .....
- Pleasantville .....
- Port Republic ...
- Somers Point ...
- Ventnor City ...
- Weymouth Towns...
  
- Ho-Ho-Kus Towns...
- Lyndhurst Towns...
- Ridgefield Park T...
- Ridgewood Towns...
- Riverdale Townsh...
- Rochelle Park To...
- Saddle River Tow...
- South Hackensack
- Teaneck Townshi...
- Washington Town...
- Wyckoff Townshi...
- Englewood City .....
- Garfield City .....
- Hackensack City
- Allendale Boroug...
- Alpine .....
- Bendix .....
- Bergenfield .....
- Bogota .....
- Carlstadt .....
- Cliffside Park Bo



<i>Municipality</i>	<i>Total Property Tax Levy</i>	<i>Personal Property Tax Levy</i>	<i>Personal Levy Per Cent of Total Levy</i>
Closter .....	168,986	11,591	6.7
Cresskill .....	168,444	23,059	13.7
Demarest .....	88,303	4,706	5.3
Dumont .....	466,313	41,972	9.0
East Paterson .....	303,744	27,758	9.1
East Rutherford .....	414,086	69,507	16.8
Edgewater Borough .....	780,289	167,608	21.5
Emerson .....	87,414	4,876	5.6
Englewood Cliffs .....	89,455	9,985	11.2
Fairlawn .....	584,133	51,454	8.8
Fairview .....	361,340	18,840	5.2
Fort Lee .....	579,469	44,835	7.7
Franklin Lakes .....	45,730	2,697	5.9
Glenn Rock .....	331,838	18,663	5.6
Harrington .....	88,276	5,530	6.3
Hasbrouck Heights .....	373,267	22,635	6.1
Haworth .....	117,165	6,612	5.6
Hillsdale .....	176,533	14,750	8.4
Ho-Ho-Kus Borough .....	109,922	4,137	3.8
Leonia .....	371,769	28,822	7.8
Little Ferry .....	187,087	15,769	8.4
Lodi .....	526,311	45,511	8.6
Maywood .....	304,650	23,255	7.6
Midland Park .....	138,351	9,809	7.1
Montvale .....	52,648	2,651	5.0
Moonachie .....	49,469	5,148	10.4
New Milford .....	219,029	27,486	12.5
North Arlington .....	482,762	11,682	2.4
Northvale .....	47,386	3,912	8.3
Norwood .....	97,413	7,688	7.9
Oakland .....	53,878	3,699	6.9
Old Tappan .....	15,814	346	2.2
Oradell .....	273,296	14,549	5.3
Palisades Park .....	374,727	19,764	5.3
Paramus .....	139,792	10,013	7.2
Park Ridge .....	103,692	6,229	6.0
Ramsey .....	153,555	8,763	5.7
Ridgefield .....	331,302	29,083	8.8
River Edge .....	207,121	16,354	7.9
Rockleigh .....	100,023	97,038	97.0
Rutherford .....	892,738	55,198	6.2
Saddle River .....	30,507	1,585	5.2
Tenafly .....	572,930	39,115	6.8
Upper Saddle River .....	15,489	1,370	8.8
Waldwick .....	119,072	2,623	2.2
Wallington .....	266,222	20,285	7.6
Westwood .....	321,212	19,831	6.2
Woodcliff .....	47,440	2,052	4.3
Woodridge .....	314,357	17,661	5.6

<i>Municipality</i>
Bass River Townshp
Beverly City .....
Bordentown City ..
Bordentown Townsh
Burlington City ..
Burlington Townshi
Chester .....
Chesterfield .....
Cinnaminson .....
Delanco .....
Delran .....
Easthampton .....
Edgewater Park ..
Evesham .....
Fieldsboro Borough
Florence .....
Hainesport .....
Lumberton .....
Mansfield .....
Medford Lakes Bor
Medford Township
Moorestown .....
Mount Holly .....
Mount Laurel .....
New Hanover .....
North Hanover ...
Palmyra .....
Pemberton Borough
Pemberton Townsh
Riverside .....
Riverton Borough
Shamong Township
Southampton .....
Springfield .....
Tabernacle .....
Washington .....
Westhampton .....
Willingboro .....
Woodland .....
Wrightstown Borou
Camden City .....
Gloucester City ...
Audubon Borough
Barrington .....
Bellmawr .....
Berlin .....
Brooklawn .....
Chesilhurst .....
Clementon .....

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 'y  
 y  
 Personal  
 Levy  
 Per Cent of  
 Total Levy  
 91 6.7  
 59 13.7  
 06 5.3  
 72 9.0  
 58 9.1  
 07 16.8  
 08 21.5  
 76 5.6  
 85 11.2  
 54 8.8  
 40 5.2  
 35 7.7  
 97 5.9  
 63 5.6  
 30 6.3  
 35 6.1  
 12 5.6  
 750 8.4  
 137 3.8  
 822 7.8  
 769 8.4  
 511 8.6  
 255 7.6  
 809 7.1  
 651 5.0  
 148 10.4  
 486 12.5  
 682 2.4  
 912 8.3  
 688 7.9  
 699 6.9  
 346 2.2  
 549 5.3  
 764 5.3  
 013 7.2  
 229 6.0  
 763 5.7  
 083 8.8  
 354 7.9  
 038 97.0  
 198 6.2  
 585 5.2  
 115 6.8  
 370 8.8  
 2623 2.2  
 285 7.6  
 831 6.2  
 2052 4.3  
 7661 5.6

**Burlington County**

Municipality	Total Property Tax Levy	Personal Property Tax Levy	Personal Levy Per Cent of Total Levy
Bass River Township .....	\$16,615	\$1,354	8.1
Beverly City .....	76,494	13,050	17.1
Bordentown City .....	122,809	10,412	8.5
Bordentown Township .....	16,397	1,633	10.0
Burlington City .....	326,751	28,979	8.9
Burlington Township .....	67,226	5,109	7.6
Chester .....	136,412	8,073	5.9
Chesterfield .....	27,334	3,602	13.2
Cinnaminson .....	73,893	7,288	9.9
Delanco .....	72,447	4,647	6.4
Delran .....	44,769	2,210	4.9
Easthampton .....	10,964	2,929	26.7
Edgewater Park .....	31,712	4,376	13.8
Evesham .....	38,794	4,689	12.1
Fieldsboro Borough .....	8,636	656	7.6
Florence .....	272,570	25,928	9.5
Hainesport .....	26,483	1,894	7.2
Lumberton .....	29,132	2,983	10.2
Mansfield .....	37,431	5,924	15.9
Medford Lakes Borough .....	17,027	186	1.1
Medford Township .....	61,527	7,145	11.6
Moorestown .....	278,221	21,666	7.8
Mount Holly .....	221,209	36,149	16.3
Mount Laurel .....	46,916	5,047	10.8
New Hanover .....	2,901	1,079	37.4
North Hanover .....	15,575	2,392	15.4
Palmyra .....	176,119	10,708	6.1
Pemberton Borough .....	22,368	3,109	13.9
Pemberton Township .....	63,929	6,611	10.3
Riverside .....	186,252	21,810	11.7
Riverton Borough .....	106,461	7,229	6.8
Shamong Township .....	10,419	611	5.9
Southampton .....	34,701	5,216	15.0
Springfield .....	35,967	5,211	14.5
Tabernacle .....	17,527	583	3.3
Washington .....	14,896	74	0.5
Westhampton .....	11,601	1,915	16.5
Willingboro .....	13,589	929	6.8
Woodland .....	14,986	1,107	7.4
Wrightstown Borough .....	9,556	1,443	15.1

**Camden County**

Camden City .....	\$6,543,465	\$1,215,997	18.6
Gloucester City .....	461,174	45,678	9.9
Audubon Borough .....	365,975	23,213	6.3
Barrington .....	75,123	5,370	7.1
Bellmawr .....	77,352	4,052	5.2
Berlin .....	59,139	4,067	6.9
Brooklawn .....	42,265	2,841	6.7
Chesilhurst .....	9,667	655	6.8
Clementon .....	92,141	4,749	5.2

<i>Municipality</i>	<i>Total Property Tax Levy</i>	<i>Personal Property Tax Levy</i>	<i>Personal Levy Per Cent of Total Levy</i>
Collingswood .....	539,086	31,586	5.9
Gibbsboro .....	23,225	5,790	24.9
Haddonfield .....	509,336	31,983	6.3
Haddon Heights .....	261,853	16,103	6.1
Hi-Nella .....	7,599	209	2.8
Laurel Springs .....	46,920	2,964	6.3
Lawnside .....	38,462	1,415	3.7
Lindenwold .....	82,049	2,490	3.0
Magnolia .....	50,107	3,842	7.7
Merchantville .....	171,001	13,255	7.8
Mt. Ephraim .....	112,044	1,610	1.4
Oaklyn .....	175,666	14,004	8.0
Pine Hill .....	46,006	1,028	2.2
Pine Valley .....	7,101	416	5.9
Runnemede .....	91,892	5,933	6.5
Somerdale .....	51,714	3,916	7.6
Stratford .....	30,493	1,290	4.2
Tavistock .....	3,269	193	5.9
Woodlynne .....	105,219	6,892	6.6
Berlin Township .....	41,393	1,830	4.4
Delaware .....	224,912	8,978	4.0
Gloucester .....	159,145	12,778	8.0
Haddon .....	371,753	7,830	2.1
Pennsauken .....	861,361	54,701	6.4
Voorhees .....	40,099	1,757	4.4
Waterford .....	58,990	1,839	3.1
Winslow .....	110,681	6,314	5.7

**Cape May County**

Avalon Borough .....	\$118,553	\$5,743	4.8
Cape May City .....	332,865	22,878	6.9
Cape May Point Borough .....	24,462	791	3.2
Dennis Township .....	32,564	4,911	15.1
Lower Township .....	88,332	11,992	13.6
Middle Township .....	103,142	10,660	10.3
North Cape May .....	20,314	15	0.1
North Wildwood .....	378,507	15,574	4.1
Ocean City .....	988,590	46,533	4.7
Sea Isle City .....	110,723	47,121	6.4
South Cape May .....	4,123	294	7.1
Stone Harbor .....	110,015	4,679	4.3
Upper Township .....	36,113	2,429	6.7
West Cape May .....	24,376	1,188	4.9
West Wildwood .....	39,983	2,259	5.6
Wildwood City .....	492,248	42,565	8.6
Wildwood Crest .....	150,228	4,526	3.0
Woodbine .....	30,490	3,379	11.1

*Municipal*

Bridgeton Ci  
Commercial  
Deerfield Tow  
Downe Town  
Fairfield Tow  
Greenwich T  
Hopewell Tow  
Landis Town  
Lawrence To  
Maurice Rive  
Millville City  
Shiloh Borou  
Stow Creek T  
Upper Deerfi  
Vineland Bo

Newark ....  
East Orange  
Orange .....  
Montclair ..  
Bloomfield ..  
Irvington ..  
Belleville ..  
West Orange  
South Orange  
Maplewood ..  
Nutley .....  
Glen Ridge ..  
Millburn ...  
Caldwell Boro  
West Caldwell  
North Caldwell  
Caldwell Tow  
Verona .....  
Livingston ..  
Roseland ....  
Essex Fells ..  
Cedar Grove ..

Clayton Boro  
Deptford Tow  
East Greenwi  
Elk Township  
Franklin Tow  
Glassboro Bor  
Greenwich To  
Harrison ....

<i>Personal Property Tax Levy</i>	<i>Personal Levy Per Cent of Total Levy</i>
31,586	5.9
5,790	24.9
31,983	6.3
16,103	6.1
209	2.8
2,964	6.3
1,415	3.7
2,490	3.0
3,842	7.7
13,255	7.8
1,610	1.4
14,004	8.0
1,028	2.2
416	5.9
5,933	6.5
3,916	7.6
1,290	4.2
193	5.9
6,892	6.6
1,830	4.4
8,978	4.0
12,778	8.0
7,830	2.1
54,701	6.4
1,757	4.4
1,839	3.1
6,314	5.7
\$5,743	4.8
22,878	6.9
791	3.2
4,911	15.1
11,992	13.6
10,660	10.3
15	0.1
15,574	4.1
46,533	4.7
47,121	6.4
294	7.1
4,679	4.3
2,429	6.7
1,188	4.9
2,259	5.6
42,565	8.6
4,526	3.0
3,379	11.1

**Cumberland County**

<i>Municipality</i>	<i>Total Property Tax Levy</i>	<i>Personal Property Tax Levy</i>	<i>Personal Levy Per Cent of Total Levy</i>
Bridgeton City	\$582,289	\$114,389	19.6
Commercial Township	50,282	9,714	19.3
Deerfield Township	16,975	1,677	9.9
Downe Township	31,637	4,211	13.3
Fairfield Township	29,243	3,107	10.6
Greenwich Township	17,851	2,367	13.3
Hopewell Township	43,590	5,505	12.6
Landis Township	436,035	49,633	11.4
Lawrence Township	35,498	3,414	9.6
Maurice River Township	40,694	7,231	17.8
Millville City	474,835	66,639	14.0
Shiloh Borough	8,841	1,137	12.9
Stow Creek Township	17,744	1,973	21.8
Upper Deerfield	58,605	5,143	8.8
Vineland Borough	255,752	34,124	13.3

**Essex County**

Newark	\$37,292,788	\$9,640,256	25.9
East Orange	4,336,294	403,035	9.3
Orange	2,050,427	154,255	7.5
Montclair	3,470,333	317,379	9.1
Bloomfield	2,621,385	314,967	12.0
Irvington	3,406,664	382,453	11.2
Belleville	1,461,984	145,321	9.9
West Orange	1,957,547	153,011	7.8
South Orange	1,381,938	99,648	7.2
Maplewood	1,674,766	105,334	6.3
Nutley	1,252,187	78,013	6.2
Glen Ridge	666,133	62,042	9.3
Millburn	1,064,325	108,766	10.2
Caldwell Borough	332,284	15,983	4.8
West Caldwell	209,221	11,470	5.5
North Caldwell	62,748	2,979	4.7
Caldwell Township	95,514	42,384	4.4
Verona	554,669	38,998	7.0
Livingston	415,083	20,334	4.9
Roseland	53,376	1,278	2.4
Essex Fells	135,256	10,226	7.6
Cedar Grove	145,276	4,770	3.3

**Gloucester County**

Clayton Borough	\$64,388	\$5,606	8.7
Deptford Township	135,763	7,014	5.2
East Greenwich	65,727	6,879	10.5
Elk Township	42,661	2,487	5.8
Franklin Township	67,817	6,044	8.9
Glassboro Borough	205,314	17,266	8.4
Greenwich Township	230,240	37,805	16.4
Harrison	39,245	3,911	9.9

<i>Municipality</i>	<i>Total Property Tax Levy</i>	<i>Personal Property Tax Levy</i>	<i>Personal Levy Per Cent of Total Levy</i>
Logan .....	41,446	4,177	10.1
Mantau .....	83,141	5,649	6.8
Monroe .....	95,013	9,701	10.2
National Park .....	43,617	1,550	3.6
Newfield .....	20,998	1,582	5.1
Paulsboro .....	233,468	27,051	11.6
Pitman .....	253,735	21,755	8.6
South Harrison .....	19,348	2,631	13.6
Swedesboro .....	92,013	19,216	20.9
Washington Township .....	54,798	4,781	8.7
Wenonah .....	50,910	4,650	9.1
West Deptford .....	103,251	4,366	4.2
Westville .....	119,386	7,195	6.0
Woodbury City .....	365,365	34,277	9.4
Woodbury Heights .....	35,855	2,728	7.6
Woolwich .....	49,527	7,672	15.5

**Hudson County**

Jersey City .....	\$24,950,014	\$5,610,018	22.5
Bayonne .....	6,403,648	1,086,775	17.0
Hoboken .....	3,144,112	337,461	10.7
North Bergen .....	2,408,034	124,748	5.2
Secaucus .....	338,154	21,990	6.5
Union City .....	3,272,712	213,407	6.5
West Hoboken .....			
Town of Union .....			
West New York .....	1,994,202	87,607	4.4
Weehawken .....	839,196	21,581	2.6
Guttenberg .....	245,699	9,302	3.8
Kearny .....	3,040,345	462,628	15.2
Harrison .....	1,033,624	279,122	27.0
East Newark .....	131,059	35,060	26.8

**Hunterdon County**

Alexandria .....	\$20,181	\$2,462	12.2
Bethlehem .....	14,240	2,321	16.3
Bloomsbury .....	19,248	2,506	13.0
Califon Borough .....	9,275	1,352	14.6
Clinton .....	25,420	4,344	17.1
Clinton Township .....	28,124	3,248	11.5
Delaware .....	37,592	8,201	21.8
East Amwell .....	29,990	6,205	20.7
Flemington .....	581,991	577,779	99.3
Franklin .....	24,241	3,705	15.3
Frenchtown .....	30,321	5,068	16.7
Glen Gardner .....	9,861	1,437	14.6
Hampton .....	18,217	3,124	17.7
High Bridge .....	51,806	9,757	18.8
Holland .....	7,060	1,527	21.6
Kingwood .....	16,738	2,601	15.5

*Municipality*

Lambertville ..
Lebanon Borough
Lebanon Townsh
Milford Borough
Raritan .....
Readington .....
Stockton .....
Tewksbury .....
Union Township
West Amwell ..

East Windsor ..
Ewing .....
Hamilton .....
Hightstown ...
Hopewell Borou
Hopewell Towns
Lawrence .....
Pennington ....
Princeton Borou
Princeton Town
Washington To
West Windsor .
Trenton .....

Carteret .....
Cranbury .....
Dunellen .....
East Brunswick
Helmetta .....
Highland Park
Jamesburg ....
Madison .....
Metuchen ....
Middlesex .....
Milltown .....
Monroe .....
New Brunswick
New Brunswick
Perth Amboy .
Piscataway ...
Plainsboro ...
Raritan .....
Sayreville ....
South Amboy .
South Brunswi
South Plainfiel
South River ..
Spotswood ...
Woodbridge ..

Property Value	Personal Levy Per Cent of Total Levy
177	10.1
.649	6.8
.701	10.2
.550	3.6
.582	5.1
.051	11.6
.755	8.6
.631	13.6
.216	20.9
.781	8.7
.650	9.1
.366	4.2
.7195	6.0
.4277	9.4
.2728	7.6
.7672	15.5
0,018	22.5
6,775	17.0
7,461	10.7
4,748	5.2
21,990	6.5
13,407	6.5
87,607	4.4
21,581	2.6
9,302	3.8
62,628	15.2
79,122	27.0
35,060	26.8
\$2,462	12.2
2,321	16.3
2,506	13.0
1,352	14.6
4,344	17.1
3,248	11.5
8,201	21.8
6,205	20.7
577,779	99.3
3,705	15.3
5,068	16.7
1,437	14.6
3,124	17.7
9,757	18.8
1,527	21.6
2,601	15.5

Municipality
Lambertville .....
Lebanon Borough .....
Lebanon Township .....
Milford Borough .....
Raritan .....
Readington .....
Stockton .....
Tewksbury .....
Union Township .....
West Amwell .....

Total Property Tax Levy	Personal Property Tax Levy	Personal Levy Per Cent of Total Levy
108,705	9,531	8.8
9,200	1,156	12.6
27,976	5,944	21.2
38,113	11,222	29.4
33,417	4,483	13.4
57,389	5,768	10.1
7,218	852	11.8
35,227	4,586	13.0
14,056	2,153	15.3
14,159	1,395	9.9

Mercer County

East Windsor .....
Ewing .....
Hamilton .....
Hightstown .....
Hopewell Borough .....
Hopewell Township .....
Lawrence .....
Pennington .....
Princeton Borough .....
Princeton Township .....
Washington Township .....
West Windsor .....
Trenton .....

\$34,328	\$3,152	9.2
417,869	76,097	18.2
1,184,925	116,002	9.8
141,799	19,065	13.4
50,125	6,685	13.3
145,402	18,296	12.6
270,999	28,537	10.5
62,545	4,981	8.0
573,043	50,566	8.8
204,390	16,375	8.0
42,047	3,629	8.6
92,387	16,744	18.1
7,101,249	1,215,290	17.1

Middlesex County

Carteret .....
Cranbury .....
Dunellen .....
East Brunswick .....
Helmetta .....
Highland Park .....
Jamesburg .....
Madison .....
Metuchen .....
Middlesex .....
Milltown .....
Monroe .....
New Brunswick .....
New Brunswick Township .....
Perth Amboy .....
Piscataway .....
Plainsboro .....
Raritan .....
Sayreville .....
South Amboy .....
South Brunswick .....
South Plainfield .....
South River .....
Spotswood .....
Woodbridge .....

\$730,175	\$163,401	22.4
58,517	5,956	10.2
235,362	25,040	10.6
100,828	9,990	9.9
32,200	14,470	44.9
517,430	34,146	6.6
63,167	1,318	2.1
92,816	7,068	7.6
365,725	39,807	10.9
209,644	42,792	20.4
106,217	9,796	9.2
58,860	3,741	6.4
2,051,925	216,936	10.6
220,698	34,192	15.5
2,633,989	532,792	20.2
319,623	63,084	19.7
30,998	6,085	19.6
499,465	62,118	12.4
460,828	128,885	28.0
186,748	7,507	4.0
93,868	15,695	16.7
308,161	23,236	7.5
293,073	28,949	9.9
47,633	6,259	13.1
1,215,945	163,284	13.4

Monmouth County

<i>Municipality</i>	<i>Total Property Tax Levy</i>	<i>Personal Property Tax Levy</i>	<i>Personal Levy Per Cent of Total Levy</i>	<i>Municipality</i>
Atlantic Township .....	\$53,694	\$5,974	11.1	Boonton Town
Freehold .....	60,803	4,823	7.9	Chatham .....
Holmdel .....	51,823	6,139	11.8	Chester .....
Howell .....	116,014	10,594	9.1	Denville .....
Manalapan .....	50,513	3,795	7.5	East Hanover
Marlboro .....	67,308	4,163	6.2	Hanover .....
Matawan .....	80,031	5,360	6.7	Harding .....
Middletown .....	502,645	47,593	9.5	Jefferson .....
Millstone .....	46,157	5,686	12.3	Mendham ...
Neptune .....	692,688	47,889	6.9	Mine Hill ...
Ocean .....	278,848	11,064	4.0	Montville ...
Raritan .....	54,547	1,161	2.1	Morris .....
Shrewsbury .....	45,499	3,372	7.4	Mount Olive .
Upper Freehold .....	54,807	7,335	13.4	Parsippany-Tr
Wall Township .....	124,746	6,945	5.6	Passaic .....
Asbury Park .....	1,337,286	78,675	5.9	Pequannock .
Atlantic Highlands .....	165,305	15,930	9.6	Randolph ...
Allentown .....	31,190	3,555	11.4	Rockaway ...
Allenhurst .....	123,355	8,315	6.7	Roxbury ...
Avon-by-the-Sea .....	133,204	7,602	5.7	Washington .
Belmar .....	324,050	18,200	5.6	Butler .....
Bradley Beach .....	292,037	19,476	6.7	Chatham Borou
Brielle .....	60,293	3,524	5.8	Chester Borou
Deal .....	268,684	14,239	5.3	Florham Park
Eatontown .....	69,670	5,275	7.6	Kinnelon ....
Englishtown .....	23,663	2,346	9.9	Lincoln Park
Farmingdale .....	17,834	1,441	8.1	Madison ....
Fair Haven .....	120,565	5,080	4.2	Mendham ...
Freehold Borough .....	279,113	22,945	8.2	Morris Plains
Highlands .....	105,788	2,617	2.5	Mount Arlingt
Interlaken .....	74,707	2,316	3.1	Mountain Lak
Jersey Homesteads .....	2,306	2,306	100.0	Netcong .....
Keyport .....	202,120	15,381	7.6	Riverdale ...
Keansburg .....	192,879	7,694	4.0	Rockaway Bo
Little Silver .....	90,826	8,731	9.6	Wharton ....
Long Branch City .....	1,146,064	118,971	10.4	Town of Boon
Manasquan .....	155,373	9,136	5.9	Town of Dove
Matawan .....	107,538	6,256	5.8	Town of Mor
Monmouth Beach .....	112,720	2,372	2.1	
Neptune City .....	99,884	5,579	5.6	
Oceanport .....	73,330	5,655	7.7	
Rumson .....	261,622	18,467	7.1	
Red Bank .....	550,271	41,915	7.6	Barnegat City
Sea Bright .....	87,129	8,588	9.9	Bay Head ..
Sea Girt .....	104,685	6,293	6.0	Beachwood .
Shrewsbury .....	61,706	2,063	3.3	Beach Haven
Spring Lake .....	240,425	21,507	8.9	Berkeley ...
Spring Lake Heights .....	32,312	755	2.3	Brick .....
South Belmar .....	56,011	1,450	2.6	Dover .....
Union Beach .....	98,321	5,619	5.7	Eagleswood
West Long Branch .....	121,581	6,505	5.4	Harvey Cedar
				Island Beach
				Island Height

Morris County

Municipality	Morris County		Ocean County	
	Total Property Tax Levy	Personal Levy Per Cent of Total Levy	Total Property Tax Levy	Personal Levy Per Cent of Total Levy
Boonton Township .....	\$24,929	11.1	\$1,913	7.7
Chatham .....	91,959	7.9	6,612	7.2
Chester .....	57,644	11.8	10,204	17.7
Denville .....	177,931	9.1	6,384	3.6
East Hanover .....	58,819	7.5	2,262	3.8
Hanover .....	100,296	6.2	24,835	24.8
Harding .....	82,213	6.7	6,094	7.4
Jefferson .....	70,851	9.5	4,816	6.8
Mendham .....	56,398	12.3	7,317	13.0
Mine Hill .....	52,993	6.9	6,610	12.5
Montville .....	95,534	4.0	6,073	6.4
Morris .....	324,103	2.1	27,296	8.4
Mount Olive .....	94,816	7.4	3,395	3.6
Parsippany-Troy Hills .....	248,051	13.4	16,666	6.7
Passaic .....	114,969	5.6	13,652	11.9
Pequannock .....	110,092	5.9	6,586	6.0
Randolph .....	82,729	9.6	8,523	10.3
Rockaway .....	121,151	11.4	22,049	18.2
Roxbury .....	172,802	6.7	41,378	23.9
Washington .....	61,688	5.7	10,129	16.4
Butler .....	119,268	5.6	17,643	14.8
Chatham Borough .....	263,518	6.7	8,413	3.2
Chester Borough .....	15,685	5.8	2,871	18.3
Florham Park .....	100,763	5.3	12,909	12.8
Kinnelon .....	31,141	7.6	1,806	5.8
Lincoln Park .....	76,545	9.9	3,689	4.8
Madison .....	377,373	8.1	18,110	4.8
Mendham .....	62,566	4.2	6,518	10.4
Morris Plains .....	102,106	8.2	6,801	6.7
Mount Arlington .....	42,258	2.5	4,330	10.2
Mountain Lakes .....	193,217	3.1	11,696	6.1
Netcong .....	49,645	100.0	7,940	16.0
Riverdale .....	36,966	7.6	2,645	7.2
Rockaway Borough .....	138,815	4.0	15,949	11.5
Wharton .....	110,175	9.6	8,398	7.6
Town of Boonton .....	295,122	10.4	30,860	10.5
Town of Dover .....	473,040	5.9	50,476	10.7
Town of Morristown .....	809,874	5.8	63,961	7.9
Ocean County				
Barnegat City .....	\$12,724	7.7	\$837	6.6
Bay Head .....	59,868	7.6	3,647	6.1
Beachwood .....	55,383	9.9	1,466	2.6
Beach Haven .....	123,639	6.0	6,654	5.4
Berkeley .....	87,129	3.3	6,604	7.6
Brick .....	77,449	8.9	952	1.2
Dover .....	245,329	2.3	21,171	8.6
Eagleswood .....	13,292	2.6	1,174	8.8
Harvey Cedars .....	22,695	5.7	531	2.3
Island Beach .....	10,966	5.4	24	2.2
Island Heights .....	43,317		1,400	3.2

<i>Municipality</i>	<i>Total Property Tax Levy</i>	<i>Personal Property Tax Levy</i>	<i>Personal Levy Per Cent of Total Levy</i>
Jackson Township .....	49,892	2,360	4.7
Lacey Township .....	38,301	2,560	6.7
Lakehurst .....	23,458	1,401	6.0
Lakewood .....	457,851	61,850	13.5
Lavallette .....	70,659	2,367	3.3
Little Egg Harbor .....	29,131	7,735	26.6
Long Beach .....	130,710	7,968	6.1
Manchester .....	27,376	761	2.8
Mantoloking .....	49,555	2,150	4.3
Ocean Township .....	14,281	793	5.6
Ocean Gate .....	38,699	1,056	2.7
Pine Beach .....	25,187	148	5.9
Plumstead .....	36,719	3,926	10.7
Point Pleasant .....	92,126	2,062	2.2
Point Pleasant Beach .....	193,008	5,133	2.7
Seaside Heights .....	90,875	3,415	3.8
Seaside Park .....	123,471	5,470	4.4
Ship Bottom Beach Arlington...	48,590	5,018	10.3
South Toms River .....	13,347	3,611	27.1
Stafford Township .....	30,846	11,535	37.4
Surf City .....	34,034	322	0.9
Tuckerton .....	41,077	6,216	15.1
Union Township .....	41,563	5,204	12.5

**Passaic County**

Paterson .....	\$7,228,585	\$811,268	11.2
Passaic .....	3,897,269	550,580	14.1
Clifton .....	2,519,009	205,694	8.2
Hawthorne .....	559,372	34,710	6.2
Wanaque .....	103,705	6,182	6.0
Pompton Lakes .....	190,967	35,454	18.6
Wayne .....	313,212	15,039	4.8
Little Falls .....	272,656	31,257	11.5
West Milford .....	150,688	3,964	2.6
Totowa .....	195,455	2,213	1.1
Haledon .....	213,038	6,295	3.0
Prospect Park .....	139,643	2,240	1.6
West Paterson .....	147,393	4,461	3.0
Ringwood .....	101,079	2,464	2.4
Bloomington .....	80,489	3,383	4.2
North Haledon .....	94,326	1,718	1.8

**Salem County**

Alloway .....	\$32,372	\$4,471	13.8
Elsinboro .....	13,778	4,402	31.9
Lower Alloways Creek .....	23,321	3,276	14.0
Lower Penns Neck .....	418,690	223,060	53.3
Mannington .....	39,494	6,507	16.5
Oldmans .....	23,964	3,407	14.2
Pilesgrove .....	43,056	5,784	13.4
Pittsgrove .....	42,276	3,986	9.4
Quinton .....	31,285	3,607	11.5

<i>Municipality</i>
Upper Penns Neck .....
Upper Pittsgrove .....
Elmer .....
Penns Grove .....
Woodstown .....
City of Salem .....

Bedminster .....
Bernards .....
Bernardsville .....
Branchburg .....
Bridgewater .....
Bound Brook .....
Far Hills .....
Franklin .....
Hillsborough .....
Millstone .....
Montgomery .....
Manville .....
North Plainfield .....
Greenbrook .....
Peapack Gladstone .....
Rocky Hill .....
Somerville .....
South Bound Brook .....
Warren .....
Watchung .....

Andover Borough ..
Andover Township .
Branchville .....
Byran .....
Frankford .....
Franklin .....
Fredon .....
Green .....
Hamburg .....
Hampton .....
Hardyston .....
Hopatcong .....
Lafayette .....
Montague .....
Newton .....
Ogdensburg .....
Sandyston .....
Sparta .....
Stanhope .....
Stillwater .....
Sussex .....

Personal  
Levy  
Per Cent of  
Total Levy

0 4.7  
0 6.7  
1 6.0  
0 13.5  
7 3.3  
5 26.6  
3 6.1  
1 2.8  
0 4.3  
3 5.6  
6 2.7  
8 5.9  
6 10.7  
2 2.2  
3 2.7  
5 3.8  
0 4.4  
8 10.3  
1 27.1  
5 37.4  
2 0.9  
3 15.1  
4 12.5  
  
3 11.2  
0 14.1  
1 8.2  
0 6.2  
2 6.0  
4 18.6  
0 4.8  
7 11.5  
4 2.6  
3 1.1  
5 3.0  
0 1.6  
1 3.0  
4 2.4  
3 4.2  
3 1.8  
  
2 13.8  
1 31.9  
1 14.0  
0 53.3  
1 16.5  
1 14.2  
1 13.4  
1 9.4  
1 11.5

Municipality

Total  
Property  
Tax Levy

Upper Penns Neck ..... 134,413  
Upper Pittsgrove ..... 36,244  
Elmer ..... 27,257  
Penns Grove ..... 158,220  
Woodstown ..... 75,802  
City of Salem ..... 216,269

Personal  
Property  
Tax Levy

44,824  
5,223  
2,228  
20,761  
8,824  
37,677

Personal  
Levy  
Per Cent of  
Total Levy

33.3  
14.4  
8.2  
13.1  
11.6  
17.4

Somerset County

Bedminster ..... \$91,503  
Bernards ..... 122,862  
Bernardsville ..... 200,908  
Branchburg ..... 34,799  
Bridgewater ..... 315,813  
Bound Brook ..... 264,968  
Far Hills ..... 34,574  
Franklin ..... 210,828  
Hillsborough ..... 93,452  
Millstone ..... 3,957  
Montgomery ..... 51,215  
Manville ..... 177,605  
North Plainfield ..... 470,074  
Greenbrook ..... 26,020  
Peapack Gladstone ..... 66,154  
Rocky Hill ..... 10,932  
Somerville ..... 369,040  
South Bound Brook ..... 70,647  
Warren ..... 58,336  
Watchung ..... 46,396

\$9,568  
14,429  
38,958  
4,655  
53,863  
24,506  
5,080  
23,328  
16,349  
336  
5,246  
30,449  
42,164  
1,524  
8,672  
801  
28,972  
12,838  
3,271  
2,836

10.5  
11.7  
19.4  
13.4  
17.1  
9.2  
14.7  
11.1  
17.5  
8.5  
10.2  
17.1  
9.0  
5.9  
13.1  
7.3  
7.9  
36.3  
5.6  
6.1

Sussex County

Andover Borough ..... \$12,974  
Andover Township ..... 20,966  
Branchville ..... 22,212  
Byran ..... 24,553  
Frankford ..... 39,061  
Franklin ..... 228,528  
Fredon ..... 9,880  
Green ..... 19,894  
Hamburg ..... 36,953  
Hampton ..... 17,702  
Hardyston ..... 34,395  
Hopatcong ..... 78,516  
Lafayette ..... 25,848  
Montague ..... 11,288  
Newton ..... 180,984  
Ogdensburg ..... 61,741  
Sandyston ..... 18,548  
Sparta ..... 117,570  
Stanhope ..... 27,628  
Stillwater ..... 21,559  
Sussex ..... 44,939

\$1,461  
1,672  
13,141  
435  
5,221  
21,535  
1,312  
3,503  
17,582  
2,599  
3,376  
3,030  
5,469  
589  
17,807  
1,889  
2,137  
6,921  
2,070  
2,201  
6,041

11.3  
8.0  
59.2  
1.8  
13.4  
9.4  
13.3  
17.6  
47.6  
14.7  
9.8  
3.9  
21.2  
5.2  
9.8  
3.1  
11.5  
5.8  
7.5  
10.2  
13.4

<i>Municipality</i>	<i>Total Property Tax Levy</i>	<i>Personal Property Tax Levy</i>	<i>Personal Levy Per Cent of Total Levy</i>
Vernon .....	52,494	6,234	11.9
Walpack .....	13,112	759	5.8
Wantage .....	62,985	9,486	15.1

Union County

Clark .....	\$127,872	\$20,247	15.8
Cranford .....	809,454	56,435	7.0
Elizabeth .....	5,888,850	689,130	11.7
Fanwood .....	127,207	12,117	9.5
Garwood .....	211,590	39,019	18.4
Hillside .....	1,104,849	115,249	10.4
Kenilworth .....	170,848	36,687	21.5
Linden Township .....	16,996	4,535	26.7
Linden City .....	2,436,182	520,615	21.4
Mountainside .....	82,434	7,322	8.9
New Providence Borough .....	122,986	8,486	6.9
New Providence Township .....	153,436	4,394	2.9
Plainfield .....	2,410,398	255,821	10.6
Rahway .....	1,095,995	171,875	15.7
Roselle .....	748,695	59,791	8.0
Roselle Park .....	498,134	30,822	6.2
Scotch Plains .....	307,529	21,722	7.1
Springfield .....	319,283	23,166	7.3
Summit .....	1,267,884	98,292	7.8
Union .....	1,325,083	133,446	10.1
Westfield .....	1,409,126	103,682	7.4

Warren County.

Allamuchy .....	\$23,626	\$4,397	18.6
Alpha .....	58,500	7,672	13.1
Belvidere .....	74,990	8,489	11.3
Blairstown .....	41,403	5,155	12.5
Franklin .....	44,169	17,908	40.5
Frelinghuysen .....	20,016	2,955	14.8
Greenwich .....	30,581	6,449	21.1
Hackettstown .....	113,851	12,312	10.8
Hardwick .....	10,290	1,736	16.9
Harmony .....	42,052	5,467	13.0
Hope .....	19,320	2,927	15.2
Independence .....	28,827	2,881	10.0
Knowlton .....	30,183	3,612	12.0
Liberty .....	11,827	547	4.6
Hopatcong .....	47,653	8,696	18.2
Mansfield .....	35,434	6,511	18.4
Oxford .....	35,518	9,005	25.4
Pahaquarry .....	3,353	180	5.4
Phillipsburg .....	630,272	106,982	16.9
Pohatcong .....	55,384	11,532	20.8
Washington Borough .....	164,991	22,354	13.5
Washington Township .....	40,065	7,903	19.7
White .....	51,604	11,812	22.9

PROPERTY TAX TRE

Year

1931 .....
1932 .....
1933 .....
1934 .....
1935 .....
1936 .....
1937 .....
1938 .....
1939 .....
1940 .....
1941 .....
1942 .....
1943 .....

<sup>1</sup> Includes second franchise.

Source: Annual the New Jersey Research.

*Personal  
Levy  
Per Cent of  
Total Levy*

11.9  
5.8  
15.1

15.8  
7.0  
11.7  
9.5  
18.4  
10.4  
21.5  
26.7  
21.4  
8.9  
6.9  
2.9  
10.6  
15.7  
8.0  
6.2  
7.1  
7.3  
7.8  
10.1  
7.4

18.6  
13.1  
11.3  
12.5  
40.5  
14.8  
21.1  
10.8  
16.9  
13.0  
15.2  
10.0  
12.0  
4.6  
18.2  
18.4  
25.4  
5.4  
16.9  
20.8  
13.5  
19.7  
22.9

TABLE III

PROPERTY TAX TREND IN NEW JERSEY, 1931-1943 REAL ESTATE AND PERSONAL PROPERTY LEVIES

(in millions of dollars)

Year	Real Property Tax Levy <sup>1</sup>	Personal Property Tax Levy	Total Property Tax Levies
1931 .....	\$233.6	\$26.8	\$260.4
1932 .....	231.9	25.8	257.7
1933 .....	206.7	22.1	228.8
1934 .....	209.8	21.5	231.3
1935 .....	208.6	24.6	233.2
1936 .....	213.1	24.6	237.7
1937 .....	214.5	28.5	243.0
1938 .....	226.3	30.2	256.5
1939 .....	226.7	32.0	258.7
1940 .....	227.3	31.8	259.1
1941 .....	229.1	33.3	262.4
1942 .....	222.1	33.9	256.0
1943 .....	219.6	36.3	255.9

<sup>1</sup> Includes second-class railroad property taxes, but not main-line or railroad franchise.

Source: Annual reports of the State Tax Department, and compilations by the New Jersey State Chamber of Commerce Department of Governmental Research.

TABLE IV

THE OVER-ALL TAX BURDEN IN NEW JERSEY:

TAX COLLECTIONS IN NEW JERSEY FOR THE SUPPORT OF ALL LEVELS OF GOVERNMENT, 1932-1943 (in millions of dollars)

Calendar Year Fiscal Year Ending	1931 1932	1932 1933	1933 1934	1934 1935	1935 1936	1936 1937	1937 1938	1938 1939	1939 1940	1940 1941	1941 1942	1942 1943
TAX												
Real Property <sup>1,2</sup> .....	\$233.6	\$231.9	\$206.7	\$209.8	\$208.6	\$213.1	\$214.5	\$226.3	\$226.7	\$227.3	\$229.1	\$222.1
Personal Property <sup>1</sup> ....	26.8	25.8	22.1	21.5	24.6	24.6	28.5	30.2	32.0	31.8	33.3	33.9
Motor Fuels <sup>1</sup> .....	17.2	16.7	16.4	17.1	17.9	19.7	21.8	22.4	23.2	24.7	26.4	20.2
Motor License .....	15.9	15.4	15.0	15.3	16.7	17.9	19.4	20.5	21.5	22.9	24.7	22.4
Public Utilities <sup>1</sup> .....	13.4	13.2	12.1	11.6	11.9	12.0	12.4	13.1	13.0	12.8	15.3	16.3
R. R. Main Stem <sup>1</sup> ....	12.0	11.9	10.9	10.5	10.3	10.5	10.5	11.1	9.8	9.2	5.8	6.9
R. R. Franchise <sup>1</sup> .....	...	...	...	...	...	...	...	...	...	...	4.0	5.7
Inheritance .....	10.7	5.8	6.4	5.1	21.6	8.3	9.0	6.3	5.1	5.2	6.2	8.8
Alcoholic Beverage ...	...	.4	2.8	5.7	7.1	8.6	8.7	8.6	9.3	9.6	11.0	11.0
Other Taxes .....	8.9	8.4	7.7	7.4	14.4	7.0	7.6	7.9	8.8	7.8	8.0	8.1
Total—State, Local ...	\$338.5	\$329.5	\$300.1	\$304.0	\$333.1	\$321.7	\$332.4	\$346.4	\$349.4	\$351.3	\$363.8	\$355.4
U. C. C. Taxes <sup>1</sup> .....	...	...	...	...	...	10.3	23.7	43.5	46.9	49.4	66.3	60.9
Federal Taxes .....	70.3	71.5	99.8	114.4	147.1	189.9	210.5	201.8	207.0	265.4	493.3	800.4
Total—All Taxes .....	\$408.8	\$401.0	\$399.9	\$418.4	\$480.2	\$521.9	\$566.6	\$591.7	\$603.3	\$666.1	\$923.4	\$1,216.7

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<sup>1</sup> These taxes are levied on a calendar year basis.

<sup>2</sup> Includes second-class railroad property tax.

RELATION (IN PERCENT)  
TAX BURDEN

Calendar Year Ending	Fiscal Year Ending
1931	1932
1932	1933
1933	1934
1934	1935
1935	1936
1936	1937
1937	1938
1938	1939
1939	1940
1940	1941
1941	1942
1942	1943

<sup>1</sup> Includes second-class railroad property tax.  
<sup>2</sup> Includes main motor vehicle tax.  
Source: Annual Report of Secretary of State.

TABLE V

RELATION (IN PERCENTAGES) OF REAL PROPERTY TAX BURDEN TO THE OVER-ALL TAX BURDEN (FEDERAL, STATE, LOCAL) BORNE BY NEW JERSEY

TAXPAYERS, 1932-1943

<i>Calendar Year</i>	<i>Fiscal Year Ending</i>	<i>Real Property Tax<sup>1</sup></i>	<i>Personal Property Tax</i>	<i>Other New Jersey Taxes<sup>2</sup></i>	<i>Unemployment Compensation</i>	<i>Federal Taxes</i>	<i>Total</i>
1931	1932	57.1%	6.6%	19.1%	...	17.2%	100.0%
1932	1933	57.8	6.4	18.0	...	17.8	100.0
1933	1934	51.7	5.5	17.8	...	25.0	100.0
1934	1935	50.1	5.1	17.5	...	27.3	100.0
1935	1936	43.4	5.1	20.9	...	30.6	100.0
1936	1937	40.8	4.7	16.1	2.0%	36.4	100.0
1937	1938	37.8	5.0	15.9	4.2	37.1	100.0
1938	1939	38.2	5.1	15.2	7.4	34.1	100.0
1939	1940	37.6	5.3	15.0	7.8	34.3	100.0
1940	1941	34.1	4.8	13.9	7.4	39.8	100.0
1941	1942	24.8	3.6	11.0	7.2	53.8	100.0
1942	1943	18.3	2.8	8.1	5.0	65.8	100.0

<sup>1</sup> Includes second-class railroad property.

<sup>2</sup> Includes main-stem and railroad franchise, corporation and utility franchise, motor vehicle fuel and registration, alcoholic beverage and miscellaneous taxes.

Source: Annual Reports of State Tax Department, New Jersey, and Annual Report of Secretary of Treasury, U. S.

TABLE VI

CORPORATION TAX COLLECTIONS IN NEW JERSEY—1932-1943<sup>1</sup>

(Fiscal year ending June 30th.)

Year	1 Domestic Corpora- tion	2 Foreign Corpora- tion <sup>2</sup>	3 Foreign Insurance (Except Life)	4 Domestic Life Insurance	5 Foreign Life Insurance	Total
1932	\$2,034,375	.....	\$1,200,379	\$1,942,054	\$809,702	\$5,986,510
1933	1,872,978	.....	1,036,675	2,062,885	919,931	5,892,470
1934	1,804,716	.....	957,243	1,928,333	803,818	5,494,110
1935	1,754,344	.....	1,073,458	1,935,224	849,452	5,612,478
1936	1,698,048	.....	1,114,789	1,981,341	1,469,331	6,263,509
1937	1,614,337	\$857	1,208,757	1,434,710	1,325,787	5,584,449
1938	1,608,219	336,966	1,289,615	1,742,075	1,435,334	6,412,209
1939	1,535,586	401,884	1,231,353	1,733,530	1,451,678	6,354,031
1940	2,437,410 <sup>3</sup>	452,157	1,232,673	1,717,574	1,447,156	7,286,970
1941	1,456,281	477,415	1,382,913	1,765,434	1,492,768	6,574,811
1942	1,328,133	402,772	1,629,758	1,798,208	1,563,777	6,722,648
1943	1,240,529 <sup>4</sup>	385,239	1,717,363	1,827,180	1,678,645	6,848,956

## Detailed

<sup>1</sup> Description of taxes on corporations may be found on page 129.<sup>2</sup> Tax on foreign corporations adopted in 1937. (P. L. 1937, Chapter 25.)<sup>3</sup> Includes two years' collections, due to change in collection date from August 7 to May 15.<sup>4</sup> Decline in domestic corporation taxes results from departure of large corporations, and shift from part to no par stock, with resultant lower taxes.

Source: Twelfth Annual Report of the State Tax Department, State of New Jersey, page 21.

1. Domestic Corp  
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CORPORATION TAXES IN NEW JERSEY

1. Domestic Corporation Taxes.

New Jersey levies two principal types of taxes on domestic corporations.

a. Organization and qualification fees are based on authorized capital stock, and are charged as follows:

- (1) par value stock, 20c per \$1,000;
- (2) no par value stock, 1c per share.

Fees are also charged for mergers and increases in capital stock.

b. Annual license and franchise taxes are based on capital stock issued and outstanding at the following rates:

- (1) Par value—up to and including \$3 million—1/10 of 1%.  
 \$3 million to \$5 million—1/20 of 1%.  
 Over \$5 million—\$50 per \$1 million or part thereof over \$5 million.
- (2) No par value to 20,000 shares...3c a share.  
 20,000 to 30,000 shares .....2c a share.  
 30,000 to 40,000 shares .....1c a share.  
 40,000 to 50,000 shares .....5 mills a share.  
 Over 50,000 shares .....2½ mills a share.

Additional filing and other fees are also collected. These taxes comprise the bulk of collections from domestic corporations as shown in Column 1 of the attached table.

2. Foreign Corporation Taxes.

Chapter 25 of the Laws of 1937 imposed taxes on foreign corporations similar to those on domestic corporations.

a. The qualification fee is charged to foreign corporation on the same basis as a New Jersey corporation would be charged in the state where the foreign corporation is organized.

b. License and franchise taxes are charged to corporations on the basis of the issued and outstanding capital stock of the corporation, in the same relationship as gross income from New Jersey bears to total gross income of the corporation.

Foreign corporations also pay certain filing fees. Column 2 of the attached table shows the collections from foreign corporations.

3. Insurance companies. Foreign and domestic life insurance companies, and foreign insurance companies dealing in other than life insurance pay special taxes on various bases, including gross premiums, surplus, or profits, depending upon the nature of the company. Collections from these companies are shown in Columns 3, 4 and 5.

	Total
943 <sup>1</sup>	
02	\$5,986,510
31	5,892,470
18	5,494,110
52	5,612,478
31	6,263,509
87	5,584,449
34	6,412,209
78	6,354,031
56	7,286,970
78	6,574,811
77	6,722,648
45	6,848,956

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TABLE VII

PRINCIPAL TYPES OF INTANGIBLES SUBJECT TO TAXATION BY STATES, CLASSIFIED ACCORDING TO THE DOMINANT METHOD OF TAXATION USED  
JANUARY 1, 1944\*

(In body of table "X" signifies that intangibles are subject to an annual tax; "R" that they are subject to a non-recurring registration tax; and "O" that they are not taxed.)

## Intangibles Owned by Resident Individuals

State	Money	Bank Deposits	Corporation Stocks		Corporation Bonds		State and Municipal Bonds		Mortgages		Accounts Receivable	Are Corporations Taxed on Their Intangibles in Same Manner as Individuals?	Does Personal Income Tax Also Reach Intangibles?
			Domestic	Foreign	Domestic	Foreign	Issued in State Paying Tax	Other States	Domestic	Foreign			
GENERAL PROPERTY TAX													
Arkansas	X	X	O	X	O	X	X	X	X	X	X	No	Yes
Maine	X	X	O	X	X	X	O	X	O	X	X	Yes	No
Missouri	X	X	O	O	X	X	X	X	X	X	X	Yes	Yes
New Jersey	O	O	O	O	O	X	O	X	O	X	X	Yes	No
New Mexico	X	X	O	X	X	X	O	X	X	X	X	Yes	Yes
Texas	X	X	O	X	X	X	X	X	X	X	X	Yes	No
FLAT-RATE ANNUAL TAX ON CAPITAL VALUE													
Connecticut	O	O	O	O	X	X	O	X	O	X	X <sup>2</sup>	No	No
Florida	X	X	X	X	X	X	O	X	R	X	X	Yes	No
Georgia	X	X	O	X	X	X	O	X	X	X	X <sup>2</sup>	Yes	Yes
Indiana	O	X	O	X	X	X	O	X	X	X	O	Yes	Yes
Iowa	X	X	O	X	X	X	O	X	X	X	X	Yes	Yes
Kansas	X	X	O	X	X	X	O	X	R	X	X	Yes	Yes
Kentucky	X	X	O	X	X	X	O	X	X	X	X	Yes	Yes
Nebraska	X	X	O	X	O	X	O	O	O	X	X	Yes	No
North Carolina	X	X	O	X	X	X	O	X	X	X	X	Yes	Yes
Oklahoma	X	X	O	X	X	X	O	X	R	X	X	Yes	Yes
Pennsylvania	O	O	O	O	X	X	X <sup>1</sup>	X	X	X	O	No	No
Rhode Island	X	X	O	O	O	O	O	X	X	X	X	No	No
South Dakota	X	X	O	X	X	X	O	X	X	X	X	Yes	No
Virginia	X	X	O	O	X	X	O	X	X	X	X	No	Yes
VARIABLE-RATE ANNUAL TAX ON CAPITAL VALUE													
Illinois	X	X	O	X	X	X	X	X	X	X	X	No	No
Louisiana	O	O	O	O	X	X	O	X	O	X	O	Yes	Yes
Montana	X	X	O	X	O	X	O	X	O	X	X	Yes	Yes
West Virginia	X	X	O	O	X	X	O	X	X	X	X	Yes	No

Kentucky	X	X	O	X	X	X	O	X	X	X	X	Yes	No
Nebraska	X	X	O	X	O	X	O	X	O	X	X	Yes	No
North Carolina	X	X	O	X	X	X	O	X	X	X	X	Yes	Yes
Oklahoma	X	X	O	X	X	X	O	X	R	X	X	Yes	Yes
Pennsylvania	O	O	O	O	X	X	X <sup>1</sup>	X	X	X	O	No	No
Rhode Island	X	X	O	O	O	O	O	X	X	X	X	No	No

South Dakota	X	X	O	X	X	X	O	X	X	X	X	Yes	No
Virginia	X	X	O	O	X	X	O	X	X	X	X	No	Yes

VARIABLE-RATE ANNUAL TAX ON CAPITAL VALUE

Illinois	X	X	O	X	X	X	X	X	X	X	X	No	No
Louisiana	O	O	O	O	X	X	O	X	O	X	O	Yes	Yes
Montana	X	X	O	X	O	X	O	X	O	X	X	Yes	Yes
West Virginia	X	X	O	O	X	X	O	X	X	X	X	Yes	No

FLAT-RATE NON-RECURRING TAX ON CAPITAL VALUE

Alabama	O	O	O	R	O	R	O	R	R	O	O	Yes	Yes
South Carolina	O	O	R	R	R	R	O	R	R	R	O	Yes	Yes

FLAT-RATE ANNUAL TAX ON INCOME

Colorado	O	X <sup>4</sup>	X	X	X	X	X	X	X	X	X	No	Yes
Maryland	O	X <sup>4</sup>	X	X	X	X	O	X	X	X	O	No	No
Massachusetts	O	O	X	X	X	X	O	X	O	X	O	No	No
Michigan <sup>3</sup>	X	X	X	X	X	X	O	X	X	X	X	Yes	No
New Hampshire	O	O	X	X	X	X	X	X	X	X	X	No	No
Ohio <sup>3</sup>	X	X	X	X	X	X	X	X	X	X	X	Yes	No
Oregon	O	X <sup>4</sup>	X	X	X	X	X	X	X	X	X	Yes	No
Tennessee	X <sup>2</sup>	X <sup>2</sup>	X	X	X	X	O	X	R	O	X	Yes	No
Vermont	O	O	X	X	X	X	O	X	X	X	X	No	No

TOTAL OR SUBSTANTIAL EXEMPTION

Arizona, California, Delaware, Idaho, Minnesota,<sup>5</sup> Mississippi, Nevada, New York, North Dakota, Utah, Washington, Wisconsin, Wyoming.

<sup>1</sup> State bonds are exempt, but local government bonds are taxable.

<sup>2</sup> Taxed on an ad valorem basis at the same rate as real estate.

<sup>3</sup> Non-income-producing intangibles are subject to a low-rate ad valorem tax.

<sup>4</sup> It should be noted that the tax applies only to interest-bearing deposits.

<sup>5</sup> The low-rate annual tax on the fair cash value of most intangibles has been suspended for the years 1943 and 1944.

\* Sources of data: *Tax Systems*, The Research Foundation, Commerce Clearing House, Chicago, 9th edition, 1942; *Taxation of Intangibles*, Business Study No. 97, Bureau of Business and Social Research and School of Commerce, Accounts, and Finance, University of Denver, September, 1940; and first-hand information obtained through visits to the States of Connecticut, Illinois, Indiana, Iowa, Kansas, Maryland, Massachusetts, Michigan, Nebraska, Ohio, Oklahoma, Pennsylvania, Rhode Island, Virginia, and West Virginia.

From "The Taxation of Intangibles in Missouri and other States," by Governmental Research Institute, St. Louis.

**Supplemental Report of the Personal Property Tax Committee of the New Jersey State Chamber of Commerce, November 29, 1944, in further Support of its Report of September 15, 1944.**

1. It is impossible to base a sound revision upon the present law because of the numerous exemptions now in force.

A study made by the State Chamber of Commerce in 1939 estimated the total value of intangibles in New Jersey at \$9,376,851,000 of which intangibles of the value of \$3,112,209,000 were estimated to be taxable and intangibles of the value of \$6,264,642,000 were estimated to be exempt.

The principal categories of exempt intangibles included in the estimate are stocks of domestic corporations, bank deposits, intangibles of corporations subject to various "in lieu" taxes and State and local bond issues. Also exempt but not included in the estimates are U. S. Government bonds, bonds secured by mortgages of real or personal property and collateral loans held by Savings Banks and Savings Institutions.

More than three-fourths of all intangibles are exempt.

Taxable intangibles consist principally of accounts receivable, debenture bonds not secured by mortgages on real or personal property, cash in hand and in banks outside the State, and stocks of corporations created by the laws of other states (foreign corporations).

Less than one-fourth of all intangibles are taxable.

The distinction between taxable and exempt intangibles is arbitrary, capricious and unjust.

Why should a \$500 investment in General Motors stock be subject to an ad valorem tax and an equal investment in Standard Oil Company stock be exempt?

Why should a bond secured by a mortgage on real or personal property be exempt and a general debenture unsecured bond be taxable?

Why should an account receivable or a promissory note be taxable but exempt if it be secured by a chattel mortgage?

These questions admit of no logical answers. They demonstrate the inequities, unsoundness and unjustness of the present law. They bring into clear relief the futility of any attempt to administer or enforce it.

It is impossible to build a sound structure for the taxation of intangibles upon any such false and insecure foundation.

If the question be asked, "Why should not the three billions more or less of taxable intangibles now outstanding be taxed as other kinds of property are taxed?" the answer is "For the same reason that the other six or seven billions of exempt intangibles are not taxed."

All of which leads irresistibly to the conclusion that the taxation of intangibles is so confused, illogical, inequitable and unsound that, in effect, three-fourths of it have already been abolished and, for the same reasons, the remaining fourth should likewise be abolished.

2. The taxation of development.

It is common knowledge seeking new location tax law. They face their intangibles could be able to settle for that their intangibles given them of the br

The obstacles in the creation of taxable law is obvious.

3. It has been proposed to be subjected to a State

Such a system would be sensible because it is an important category of foreign corporations, secured notes and bonds against these few securities in the case of accounts represent goods sold

4. The taxation of substantial revenue.

As appears by the migrate easily and the

The taxation of industrial development intangibles, would plentifully available kinds. This is the tax revenues substantial little which it now

That is why the the intangibles tax The increased tax would be relieved of the potential

5. The State Chamber and that the corporations

This proposal has the intangibles tax matters were introduced

2. The taxation of intangibles deters the State's commercial and industrial development.

It is common knowledge among informed people that business corporations seeking new locations look askance at New Jersey because of the intangibles tax law. They face uncertainty. They are confronted by the possibility that their intangibles could be taxed at a \$5.00 rate, the possibility that they might be able to settle for three mills or something in between, and the possibility that their intangibles might not be taxed at all. No definite assurance can be given them of the bracket in which they will find themselves.

The obstacles in the way of New Jersey's commercial development and the creation of taxable wealth and employment presented by the intangibles tax law is obvious.

3. It has been proposed from time to time that all intangibles now taxable be subjected to a State-assessed, State-collected tax at a low millage rate.

Such a system would not only be objectionable but would be highly reprehensible because it would amount to an income tax levied against only four important categories of intangible property—accounts receivable, stocks of foreign corporations, cash in hand and in banks outside the State, and unsecured notes and bonds. What justification can be urged for an income tax against these few selected classes of property? It is particularly indefensible in the case of accounts receivable which produce no income and which merely represent goods sold.

4. The taxation of intangibles at a low millage rate would not produce substantial revenue.

As appears by the report of the State Chamber Committee, intangibles migrate easily and the tax is difficult to enforce.

The taxation of intangibles at a low millage rate would impede New Jersey's industrial development, would force the flight from the State of all movable intangibles, would stimulate investment in tax-exempt securities (which are plentifully available) and would result in evasion and avoidance of various kinds. This is the universal experience. New Jersey would not increase its tax revenues substantially by such a policy. It might well lose a part of the little which it now yields.

That is why the State Chamber earnestly recommends the abolishment of the intangibles tax and the substitution for it of an increased franchise tax. The increased tax would be borne in the main by the group which would be relieved of the potential intangibles tax.

5. The State Chamber proposes that the taxation of intangibles be abolished and that the corporation franchise taxes be doubled.

This proposal has the virtue of simplicity. Three major attempts to solve the intangibles tax problem failed because other directly or indirectly related matters were introduced. This history teaches the lesson that the intangibles

tax problem should be treated as a single subject and solved as such and that thereafter, likewise, these more or less directly related matters be treated as individual subjects and they too be solved as such.

As in the past, another attempt to solve the intangibles taxation problem coupled with solutions of other controversial subjects, important though they be, will be doomed to failure.

**Statement of James J. Smith, Executive Secretary, New Jersey State League of Municipalities, January 12, 1945, Pertaining to the Property Tax in New Jersey.**

*To the Chairman and Members of the New Jersey State Commission on Taxation of Intangible Personal Property:*

The New Jersey State League of Municipalities very definitely advocates the retention of the intangible property tax. We concede that the assessment and collection of the tax by our municipalities has not been successfully administered.

The difficulties that confront the local assessor in levying and enforcing a general property tax on intangibles is evidenced by the inequitable and regrettable situation of which we are all aware.

Intangibles are taxed by various methods in almost every State in the Union, so there can be no serious thought given to any proposal to abolish the intangible tax in New Jersey.

We recommend the assessment, collection and enforcement of the tax by the State Tax Department at a uniform reasonable rate. The distribution of the entire tax, allowing for the cost of administration, to be equitably returned to the municipalities.

You have been authorized to investigate related tax subjects in addition to the question of the valuation and taxation of intangible personal property. Your study and research into the general question of taxation in our State must lead you to the inevitable conclusion that our entire tax structure should be overhauled.

The taxation of intangible personal property is an integral part of the broader tax problem. Your recommendation on intangibles will be inadequate if it does not encourage a comprehensive study of the entire tax question. It will take considerable time and the expenditure of money, but there is no subject more vital to the people of our State than tax legislation that will bring our antiquated system up-to-date.

JAMES J. SMITH, *Executive Secretary,*  
*New Jersey State League of Municipalities.*

January 12, 1945.

**Report to the Comm  
vember 14, 1944,  
and Auditors, on  
with Specific Re**

*Mr. L. G. McDouall,  
Committee on  
Newark, N. J.*

DEAR SIR:

In accordance with the request of the State of New Jersey and the neighboring States of Massachusetts and Connecticut, the formulation of a system so as to eliminate the tax and place it on a favorable basis in the neighboring States. We

With the view of the personal property tax, the Governor of the State of New Jersey has designated the subject and in the State of New Jersey has been defined as a present law and practice the Princeton Survey a tremendous hazard in the case of intangibles.

*While as the result of the State taxing structure as a result of the property tax on intangible*

Under existing law, the jurisdiction in a general personal property, the rate of the locality which attempt to reduce five are Arkansas, that, of these six, others being predominant or their product

**Report to the Committee on Taxation, New Jersey Bankers Association, November 14, 1944, by Peat, Marwick, Mitchell and Company, Accountants and Auditors, on Review of the Tax Structure of the State of New Jersey with Specific Reference to the Personal Property Tax on Intangibles.**

PEAT, MARWICK, MITCHELL & CO.  
Accountants and Auditors

November 14, 1944.

*Mr. L. G. McDouall, Chairman,  
Committee on Taxation of New Jersey Bankers Association,  
Newark, N. J.*

DEAR SIR:

In accordance with your instructions we have reviewed the taxing system of the State of New Jersey. We have also made studies of the taxing systems of the neighboring States of New York, Pennsylvania, Delaware, Connecticut and Massachusetts. Our review was made for the purpose of assisting you in the formulation of recommendations for the revision and improvement of the system so as to eliminate, so far as possible, existing inequities and deterrents and place it on a favorable competitive basis with the taxing systems of neighboring States. We now have pleasure in submitting our report.

With the view of eliminating serious problems which arise in the levy of the personal property tax as applied to intangibles, the Hon. Walter E. Edge, Governor of the State of New Jersey, has appointed a commission to investigate the subject and to suggest a solution. One of the most serious problems in the State of New Jersey concerns what is called "Tax Lightning," which has been defined as "the uneven and erratic treatment of assessments which the present law and practice permit." (See page 4 of the Fifth Report Letter of the Princeton Survey of New Jersey Finance.) "Tax Lightning" is a tremendous hazard in the New Jersey taxing system, particularly serious in the case of intangibles but none the less important in respect of tangibles.

*While as the result of our studies, it is our belief that the basic problem confronting the State of New Jersey is far more serious in that it concerns the taxing structure as a whole, this report deals primarily with the personal property tax on intangibles and possible alternatives.*

THE GENERAL PROBLEM

Under existing law, intangibles are required to be included by each taxing jurisdiction in a general property tax base, which includes real and tangible personal property, all at true value, and subjected to the general property tax rate of the locality. New Jersey is one of only six of the forty-eight States which attempt to reach intangibles through a general property tax; the other five are Arkansas, Maine, Missouri, New Mexico and Texas. It will be noted that, of these six, New Jersey alone is predominantly an industrial State, the others being predominantly agricultural. Many other States also tax intangibles or their productivity, but through devices other than the general property

tax such as an income tax on the income produced or at a low mill rate on value. In an industrial State, and especially one in which the per capita value of intangibles is greater than in an agricultural State, the problem acquires greater importance because the holdings of intangibles are larger and more widely distributed.

Before pointing to the various objections against a general property tax on intangibles, it might be well to trace briefly the history of the taxation of property.

The general property tax has its foundations in antiquity. In ancient times, tangible property, real and personal, was virtually the only sign of wealth. Even today, among more primitive peoples, wealth of a man is measured by the value of land and other tangible assets he owns. In olden days, intangibles were practically unknown. Personal property, such as then existed, could not readily be moved or hidden from the eyes of the tax collector and it is not surprising that it became an acceptable base for levying taxes. To some extent the same situation existed in the American colonies, and later in the States. With the beginning of manufacturing and the advent of the industrial era and the growth of corporations, banking and finance, intangibles (notably stocks, bonds and receivables) steadily increased and today are relatively widely held.

At first, the advent of intangibles did not present a serious taxing problem since holdings were few, not widespread, and involved little duplication of taxable values. That being the case, there was no necessity for differentiating between intangible and tangible property in general. However, as the present-day industrial and financial systems of the United States developed, difficulties arose and became intensified as the systems expanded. Under present conditions a property tax on intangibles, either as part of the general property tax or at a special rate, has these fundamental shortcomings:

- (1) Intangibles represent the ownership of tangible property, and their taxation, along with tangibles, often results in duplicate taxation and sometimes in multiple taxation to a greater degree.
- (2) Intangibles are mobile and readily removable to other and more favorable taxing jurisdictions.
- (3) Intangibles are not generally visible and, therefore, easily concealed from the tax assessor.
- (4) A general, full-rate property tax on intangibles may make it too costly to possess them.

#### MULTIPLICITY OF TAXATION—

The taxation of intangibles without exemptions or deductions constitutes multiple taxation, double or more, when taken in conjunction with other property taxes. All forms of intangibles are merely legal claims to existing tangible wealth which, except for varying specific exemptions, is generally taxed.

The allowance of exemptions or deductions tends to relieve the multiplicity of taxation, but this is accomplished only when the tangible wealth is situ-

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ated and the intangible evidences thereof are held in one or more related taxing jurisdictions which accord full exemptions or deductions. Obviously this does not occur when the tangible wealth is situated in and taxed by one State and the intangible evidence thereof is held in and taxed by another State.

While the burden of such multiple taxation resulting from the personal property tax on intangibles is especially severe under the general property tax, it exists to a lesser degree under other methods of taxing intangibles. The fundamental objections remain.

#### MOBILITY OF INTANGIBLES

Intangibles are very mobile and may be readily moved (1) from one taxing jurisdiction to another, (2) when interstate business is, or, for this purpose, can be involved, from one State to another, and (3) even from one country to another. While a State-wide assessment of the tax on intangibles (hereinafter discussed more fully) might dispose of the first or intrastate problem, it would not take care of the other two problems.

Further complications arise from uncertainty regarding the situs of intangibles for purposes of taxation. Though courts, both Federal and State, have rendered many decisions on this subject, most of them deal with narrow questions that do not establish general broad principles. Situs is close to becoming a "state of mind," and even then it may be a question of whose "mind" controls. This is the natural result of the fact that the property involved is intangible. Sometimes direct formal evidence of the property exists; often it does not exist, and when it does, the formal evidence is readily movable.

#### DIFFICULTIES IN ASSESSING—

We now consider the difficulty that arises in attempting to levy a general property tax on intangibles. Being intangible, they are not visible. The tax assessor can see them or their results only indirectly. He knows that business must have them, to a certain extent. He knows that individuals living at a certain scale should have the income, and hence intangibles, if not wages and tangibles, to provide the necessary income. But such rather indefinite knowledge does not provide the proper basis for an assessment. The zeal of the tax collector in reaching all property has been matched by the cunning of the taxpayer in avoiding the tax. It did not take long for the taxpayer to realize that intangible property is of such a nature that it can be hidden or moved, and as the holdings became more widespread the tax collector was at a greater and greater disadvantage in trying to ferret out those holdings.

#### EFFECT OF TRUE VALUE ASSESSMENT—

All we have said to this point deals with the inequities of and some of the difficulties in assessing a general property tax on intangibles. If we assume no difficulties and no inequities, what is the economic result in many cases? The tax rates in many localities range from \$4.00 to \$6.00 per hundred dollars of valuation. Yet most sound intangible assets return income at a lower rate. In such cases, with complete tax enforcement, according to existing law,

residents of any State imposing such a tax would have, not only their entire income from intangibles, but also part of the principal, in effect, "confiscated."

This requires no further discussion; the practical results are obvious. Hence, people have resorted to the device of moving such formal evidences as taxable stocks and bonds out of the State. Individuals have even gone so far as to change their domiciles, with the result that the tax has been defeated and the State has lost economically in other ways.

#### THE POSITION OF NEW JERSEY

The administration of the personal property tax as applied to intangibles, which is vested in 565 taxing officials in New Jersey, presents them with a dilemma, namely, that of choosing between (1) taxing intangible personal property at confiscatory rates, i. e., general property tax rates, (2) assessing it at less than its true value, or (3) omitting it entirely from the assessment rolls. This situation results in unstable public revenues and contributes to the uncertainty of business enterprise. *Generally, business in New Jersey never knows exactly what its tax bill will be and it goes without saying that no business can plan for the future when it is faced with such uncertainties.* No doubt the personal property tax on intangibles is resorted to more often by municipalities which find themselves in need of revenue for one reason or another and cannot see their way clear to increase the levy on tangibles, both real and personal. This has been particularly true in late years in certain taxing districts in New Jersey, with the result that businesses have moved to other districts in the State or have moved out of the State. "No tax procedure can be considered good which drives the taxpayer to unusual or uneconomic devices." (National Tax Association Proceedings for the year 1939, page 194.)

The deterring effect of unsound tax policies and inequitable taxing statutes has never been better appreciated than it is now, when widespread efforts are being made to overhaul our tax laws to *clear the way for the resumption of a prosperous civilian economy.* The Joint Committee on Internal Revenue of the Congress of the United States is studying the problems; so is the Treasury Department, which has been holding meetings with and hearings for industrial, business and other groups. The Small Business Committee of the Congress is seeking the solution of similar problems as they particularly affect smaller business operations. Numerous groups or associations—industrial, civic, financial, economic, research and academic—are making surveys and studies and proposing solutions.

The activity is not confined to Federal taxes. New York State has recently completed a survey of its own problems and has materially revised its business franchise tax law. Missouri and Maine are now studying their most serious problems, the general property taxation of intangibles. Other State or local surveys are under way.

If no attempt is made to determine the "true" value of intangible personal property, but all taxpayers, or any given number, are taxed at some arbitrary amount, the tax becomes definitely regressive in that it falls with greatest

weight on those who whose ability to pay it ings are more mobile

Some improvement State rather than the be enforced with the whole, and a uniform multitude of different of many. Further, m some public sources ( property (if these we than to the local asse State agency carries v

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Any taxing system difficult to administer is that those not exen the taxes. It should may receive additiona Sound tax policy stro in the tax structure, merit extended discus be advanced in favor ever, encourages press will be neither effecti

The second type o attract business to th in the United States, eventually act as a bo

weight on those who cannot flee from its burdens, usually the poorer taxpayers whose ability to pay it is certainly less than that of wealthier ones whose holdings are more mobile.

Some improvement could be obtained if assessments were determined by the State rather than the localities. State administration means that the tax will be enforced with the same degree of thoroughness throughout the State as a whole, and a uniform interpretation will be applied to the law rather than a multitude of different interpretations. There would be one tax policy instead of many. Further, more able personnel could be employed and trained. Also, some public sources of information necessary to check returns of intangible property (if these were required) would be more readily available to the State than to the local assessing officers. We might also mention the fact that a State agency carries with it greater prestige than attaches to the local agency.

In any event, the problem of enforcement would still be almost insurmountable. Intangibles would be no less mobile and just as easily hidden, perhaps more so. Furthermore, uniformity throughout the State, even though it overcame one present objection to the existing system, would not overcome, and, if uniform true value assessments as now required by law resulted, would intensify the more important inequities resulting in some degree of multiple taxation of the same wealth and, unless rates were materially reduced, the virtual confiscation of income from and principal of intangibles.

Another serious problem which affects the tax on intangibles is exemptions. The subject of exemptions can be divided into two categories: (1) those provided by statute, and (2) those accorded by local officials. In a "Statistical Inventory of Personal Property in New Jersey and Alternative Proposal for Improvement of the Personal Property Tax," dated January 12, 1939 (not for publication), the New Jersey State Chamber of Commerce lists the then current exemptions from taxes of personal property in New Jersey (see Appendix "V"). Though some of these exemptions apply only to tangible personal property, it should be noted that the list is headed "A *Partial* Statement of Current Exemptions." Yet it is presented in seven and a fraction pages of mimeographed copy. The list is formidable.

Any taxing system which has too many exemptions will not only be extremely difficult to administer but will become grossly inequitable. The ultimate result is that those not exempt have to pay a greater and, therefore, unjust share of the taxes. It should be borne in mind, too, that veterans of the present war may receive additional exemptions, thus further shifting the tax load to others. Sound tax policy strongly indicates the lack of wisdom of too many exemptions in the tax structure, and suggestions for the expansion of these devices do not merit extended discussion in spite of the fact that plausible arguments may be advanced in favor of many exemption proposals. Every exemption, however, encourages pressure for further exemptions, and a tax labored with them will be neither effective as a source of revenue nor equitable as a tax measure.

The second type of exemption is resorted to by tax officials who seek to attract business to their communities. Though this situation generally exists in the United States, tax-baiting by exemptions is a two-edged sword and may eventually act as a boomerang upon the one who first employs it. While every

opportunity should be taken legitimately to favor business, unsound policies of tax exemption cannot be maintained, and are, in the long run, detrimental to the best interests of a community or of a State.

#### SOME EXPERIENCES OF OTHERS—

Most students of taxation have condemned the application of the general property tax to intangible property. Their conclusion has been that the taxation of intangibles at rates equal to those applied to real estate and tangible personalty is confiscatory in effect and is unenforceable. Further, an attempt to enforce the tax results in the falsification of returns in cases where they are filed and in the flight of intangibles from the tax jurisdiction. The history of the assessment of intangibles under the general property tax has been a tale of continual failure dating back many years. In 1932, a committee was appointed by the National Tax Association, whose membership is composed of tax officials, scholars, businessmen, lawyers and accountants, as well as others interested in tax problems, to revise the so-called "Model System of State and Local Taxation" proposed by a prior committee of the Association in 1918. *The latter committee reported that nothing had occurred in the intervening years to modify the conclusion of the earlier committee that all attempts to reach intangibles under the general property tax have proved failures.*

The intangible personal property tax, whether the rate is the general property tax rate or a low mill rate, is never administered so that its burden will fall on all those who come within its scope. This is universally true, especially so where the general property tax rate is applied to intangibles, and no State has had any success in this respect. Every means has been tried but to no avail. So unfair is the tax in its application where the general property tax rate is applied, that in those States where taxpayers are required to report their holdings they do not do so. Only a few unusually honest persons and a few unfortunate individuals whose affairs are subject to the jurisdiction of the courts or in the hands of guardians, and therefore a matter of public record, feel the burden of the tax. The great majority of individuals pay no tax on their intangibles. Even if a taxpayer does not conceal his property or move it to another State or change his domicile, he can still resort to legal devices of one kind or another to avoid or minimize its effects. Among such devices is the conversion of taxable into tax-free intangibles; in fact, there is no record in any State or any nation of a system of taxation which contemplates an equal rate on all classes of property, real and personal, tangible and intangible, that has, in recent years, proven satisfactory. As has been stated, as long as the question was negligible, serious difficulties did not arise, but today the reverse is true.

Intangibles in any comparatively wealthy State run into the billions. The obvious conclusion is that the ad valorem taxation of intangibles from the standpoint of both revenue derived and equity to the taxpayer is about as antiquated a method of taxation as any generally used in the United States. So capricious, in fact so arbitrary, has been the manner in which personal property tax assessments as a whole have been made, that two States, New York and Delaware, have abandoned the personal property tax on both tan-

gibles and intangibles prohibits the levy of section 3, which reads

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gibles and intangibles; in fact, the Constitution of the State of New York prohibits the levy of any ad valorem tax on intangibles in Article XVI, Section 3, which reads as follows:

“Moneys, credits, securities and other intangible personal property within the state not employed in carrying on any business therein by the owner shall be deemed to be located at the domicile of the owner for purposes of taxation, and, if held in trust, shall not be deemed to be located in this state for purposes of taxation because of the trustee being domiciled in this state, provided that if no other state has jurisdiction to subject such property held in trust to death taxation, it may be deemed property having a taxable situs within this state for purposes of death taxation. Intangible personal property shall not be taxed ad valorem nor shall any excise tax be levied solely because of the ownership or possession thereof, except that the income therefrom may be taken into consideration in computing any excise tax measured by income generally. Undistributed profits shall not be taxed.”

A reasonably complete assessment of intangibles can be expected only if the taxing statute is so drafted as to define clearly those intangibles which are taxable, to reduce exemptions to the minimum, to provide adequate administrative machinery at the State level, and to require returns and proper audits thereof, and those responsible for the administration of the tax enforce it vigorously, making use of all possible means of checking the assessments and fixing true values. Such an ideal cannot be attained. Many students of taxation, therefore, have concluded that intangible personal property should be completely exempt from property taxation.

#### THE PRACTICAL RESULT OF THE TAX ON INTANGIBLES—

All that we have said regarding the inequity of the tax, as presently levied, on intangibles or the difficulty of assessing it is fundamental. One might well ask why such matters should concern the State of New Jersey or the New Jersey State Bankers Association. Bankers exist only because they serve the State or a locality, or section thereof. Without our present-day banking system our complicated business system could not function. Anything that detracts from business activity—and that, in the long run, means prosperity—is detrimental to the residents of the State.

Regardless of the inequities or the possibilities of avoidance of the tax on intangibles, it is pertinent and necessary to inquire why they should have any effect. One may say that though intangibles should flee from the State, as they will, or should be well hidden, as they can and will be, the result is immaterial. Whatever is collected leaves that much less to be gathered from other sources. *The important fact is, that the present law has dried up and will continue to dry up those other sources of revenue* without a compensating increase (in fact, a net decrease) of the tax on intangibles.

Consider first the individual. If, as seems to be the situation under the latest decisions, domicile determines the situs of the property, including intan-

gibles, such individuals can and have taken steps to establish domicile elsewhere. But domicile controls estate taxation, which, by reason of the Federal law, makes the net result the same in all States (very small estates excluded). *Why should the State of New Jersey drive out its potential estate tax revenues or be forced to go to court to collect them, to continue an ineffective, dangerous, inequitable and unjust tax on intangibles?*

Also, while the removal of a few homes of the wealthy, with what that involves in local employment and trade, should not be regarded as controlling, it should not be disregarded in the overall picture.

Somewhat akin to the foregoing is the effect the present system has on the creation of trusts, either through testamentary dispositions or otherwise, with trustees domiciled in the State of New Jersey. One is likely to find that the major portion of a trust estate is intangibles. It involves no effort and no difficulty to designate a trustee who is domiciled outside of the State of New Jersey, and this is true whether the creator of the trust be a resident or a non-resident thereof. Under existing law, the assets of a New Jersey trust held by a trustee domiciled in the State of New Jersey are generally subject to personal property taxes at the general property rate. By contrast, if such assets are held by a trustee domiciled in New York State, the personal property, whether tangible or intangible, is exempt from property taxation in New York and would even be exempt from income tax if the creator was a nonresident of the State of New York when the trust was created. In a number of other States, trust property or income is either not subject to or exempt from taxation to a similar or somewhat lesser degree.

It is obvious under such circumstances that individuals, whether residents of New Jersey or elsewhere, are not likely to designate and have not been designating New Jersey individuals or corporations as trustees. This not only results in a loss to New Jersey of the business activity in the handling and administration of these trusts as well as estates of decedents during administration, but also all the benefits that naturally result from local residents having charge of the administration of the funds of such trusts. One usually finds significant portions of trust funds are invested locally, particularly in the case of mortgage investments, as the trustees are generally better informed on conditions and investments in their local territories than they are in territories in other States.

In addition to trusts that might be created by individuals, one should not overlook the growing trend of corporate and other businesses to create trusts to provide retirement pensions for employees. The same considerations apply to trusts of this type. Thousands of such trusts have been created and more are being created. Many of them are being administered by corporate trustees and some of them, in due course, will undoubtedly reach substantial proportions.

The effect on business activity is much more serious. If industry should be encouraged or forced to move any part of its operations to another State, the results can be very harmful. That that has happened to a material extent is so well known that it would serve no purpose here to attempt to cite examples or list the cases which have come to our attention.

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The removal of businesses reduces employment, reduces tangibles subject to tax, depreciates real property values, and as a result decreases tax revenues from those and other sources. Inertia often leads people to put up with difficulties because to do so is easier than to pull up one's roots and go elsewhere. However, much industry is now devoted to war production and many new plants have been constructed in parts of the country not previously highly industrialized. Other industrial areas which were well developed before the war have been expanded and much skilled labor has moved or been trained elsewhere.

Hence, the next few years, during which war industry and production will have to be reconverted to a peacetime economy, will undoubtedly see a material reshuffling of present activities. The effect of inertia will be much less than heretofore, because, when reconversion, the removal of operations, or the closing of plants has to be done, in any event, business will establish itself in localities where equitable tax laws and policies are in effect and are recognized as proper and necessary by progressive government.

With the reshuffling of productive activities, the service activities (retail stores, etc.) and home ownership, construction, etc., will necessarily follow that on which they must rely for their existence. While a decline in activity would necessarily reduce banking operations and bank resources and weaken their positions—hence banks have a selfish interest in helping to prevent such an occurrence—the effect on the State as a whole will be far more serious, as anything that weakens the banks' position reduces their potential ability to aid in the development, through proper financing, of business activity, employment and home ownership.

The possibilities of either a loss of business activity or failure to acquire a reasonable and proper share of new peacetime business activity after war production ceases will have repercussions beyond the mere loss of revenue. As members of the armed forces or those temporarily away on war production activities return to their home States to resume civilian or peacetime work, it will be necessary for the State of New Jersey to be prepared and in position to provide such persons with employment. To accomplish that, and it must be done, a high rate of business and industrial activity will be necessary. A taxing system that tends to encourage if not force this activity to other States will not only prevent the accomplishment of that end, but may even impose further burdens on the revenues available because of the necessity of providing in other ways for the returning workers.

It is no answer to say that the full assessment of intangibles never has been or will be accomplished. The threat is there—"Tax Lightning"—hanging like the sword of Damocles forever over the head of the business operator who can never be sure where he stands, while the nearest State imposing a similar tax is several hundred miles away.

## RECOMMENDATION

The intolerable conditions which exist in the State of New Jersey demand a revision of the present tax laws; in fact, they make it imperative. Accordingly, it is recommended that the personal property tax on intangibles in the State of New Jersey be repealed entirely and with due dispatch.

### IF THE TAX ON INTANGIBLES IS ELIMINATED

The elimination of the tax on intangibles may require an increase in another tax levy or the addition of some other tax levy to the basic taxing system. The revenue derived from the inclusion of intangibles in the general property tax base cannot be stated with accuracy. No separate assessment of intangibles is made, though some indications can be obtained in a few localities where it is known that intangibles constitute a substantial part of the personal property tax roll or in the case of a few taxpayers where it is known that the assessment in a particular jurisdiction is entirely, or almost so, on intangibles.

In some cases an attempt is made to assess intangibles by computing a tax at a low three or four mill rate on estimated holdings and then assessing on a value which will produce the same amount of tax at the general property rate; but even then the amount of estimated intangibles is often arbitrary.

Nevertheless, it has been estimated, we are informed, that intangible assessments produce only from \$1,500,000 to \$2,500,000 of tax, a very small proportion of the total general property tax levy of \$250,421,883 (1943) or even of the tax on personal property only, \$36,289,927 (1943). It may well be, therefore, that whatever revenue may seem to be lost by removing intangibles from the tax base can be made up readily from a more equitable and complete assessment of tangible property, real and personal. Much of that would apply to business enterprises now taxable on intangibles, and they, we believe, would welcome such an adjustment if it resulted in eliminating the threat of a potential ruinous assessment on intangibles.

The foregoing assumes that the removal of intangibles from the assessment roll requires a replacement. Present activity and revenues being what they are, replacement may not be required. For the future reconversion period, and thereafter, whatever benefit results from retaining a dollar of intangibles on the assessment roll is abortive if it means losing therefrom a larger amount of tangible or real property value—which will surely result if the State of New Jersey loses its full share of post-war business activity to which it is entitled by reason of its location, compactness, labor market and natural production facilities.

The foregoing is based on State-wide consideration. There may be particular local taxing jurisdictions to which the broader general conclusions are inapplicable because an important part of the general tax base is represented by intangibles which could not be replaced by tangible property assessments on the same general groups. This may be an unsound and unhealthy condition that grows out of the unsoundness of the existing system which should not be tolerated. However, there are other possibilities, such as the redistribution of

existing levies, which that may arise from

Nevertheless, an increase or replacement of existing levies.

### YIELDS OF CERTAIN

#### *General Discussion*

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We have considered in existing tax levies specifically replacing intangibles in the personal property tax with an estimated additional 1

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The amounts of revenue that would be replaced by specific replacement of the needed revenue may be fluctuated so as to produce the

We have not suggested a yield of either a 10% or 20% yield. Though reasonable yields from either source which would be a personal property

#### *Tax on Cigarettes*

In estimating the yield, a 10% yield is chosen as a normal rate of taxation of a per capita

existing levies, which may well relieve, in particular localities, the difficulties that may arise from the solution of what is an overall State-wide problem.

Nevertheless, and assuming for the purpose of this report that some other increase or replacement will be required, we have considered various possibilities.

#### YIELDS OF CERTAIN OTHER TAXES—

##### *General Discussion*

As a general proposition, it is difficult to estimate the yields of new taxes, though in the case of some tax proposals it is possible to estimate the yields on a per capita basis, particularly where other comparable States have had similar laws for a period of time.

We have considered and discuss herein three possible additions to or changes in existing tax levies which should be considered if it is deemed necessary to specifically replace the revenues presently derived from the inclusion of intangibles in the personal property tax base. The taxes considered and the estimated additional revenue are as follows:

<i>Tax</i>	<i>Estimated additional yield</i>
Imposing a tax on cigarettes at the rate of 1¢ on each pack of 20 cigarettes .....	\$3,625,000
Tripling the present State Franchise Tax:	
Permanent basis .....	2,000,000
Temporary for one year .....	3,250,000
Imposing a tax on meals at the rate of 5% on meals of \$1.00 or over .....	2,000,000

The amounts vary, and pending a more accurate determination of the revenue that would be lost through the elimination of the tax on intangibles, a specific replacement suggestion cannot be offered. However, when the amount of the needed revenue is known with more accuracy, the rates suggested above may be fluctuated or combinations of the several suggestions may be developed so as to produce the exact amount of the additional revenue required.

We have not suggested, nor do we furnish at this time, any estimate of the yield of either a sales tax or a business franchise tax measured by income. Though reasonably accurate estimates cannot be made, it is clear that the yields from either of those taxes will be far greater than the maximum amount which would be necessary to replace the revenue lost through repeal of the personal property tax on intangibles.

##### *Tax on Cigarettes*

In estimating the yield from the cigarette tax, the year 1940 has been chosen as a normal year; also, for 1940, the Federal census aids in the computation of a per capita yield. In that year the shifting of population due to

wartime conditions had not occurred to any appreciable extent. Of prime importance, too, is the fact that in 1940 the effects of the depression had disappeared to a considerable degree and the impact of the war had not been greatly felt. Consequently, 1940 may be taken as a reasonable yardstick for average future conditions. This factor is of importance in determining a normal yield from such a tax as the cigarette tax because the consumption of cigarettes seems to follow, closely, business activity and employment.

The cigarette tax has been imposed by many States in the last decade. Because the distributors of cigarettes are so few (about 500 in New York State and an estimated 100 in New Jersey), it is one of the easiest taxes to administer and produces a substantial amount of revenue. Delaware, Pennsylvania, New York, Connecticut and Massachusetts each have a tax equivalent to 2 cents on a pack of 20 cigarettes. Each of these States, with the exception of Connecticut, denominates the tax as temporary, although some have employed it for a good many years. Delaware's tax became effective on June 1, 1943, and is to remain in effect until May 31, 1945, Pennsylvania's tax until May 31, 1945, New York's until March 31, 1945, and Massachusetts' tax expires on June 30, 1945. However, since it is productive of substantial revenue and is extremely easy to administer, it probably will be retained.

In the tabulation following are shown the yields per capita of the cigarette tax for the States of New York, Connecticut, Massachusetts and Pennsylvania. The collections by Massachusetts are for the year ending November 30, 1940, rather than the calendar year 1940. The laws of the four States are approximately the same, except that Massachusetts collects its tax by way of an inventory system and avoids paying a service percentage to the companies that affix stamps:

<i>State</i>	<i>Collec- tions, 1940</i>	<i>Popula- tion, U. S. Census, 1940</i>	<i>Tax per Capita, 1940</i>
New York . . . . .	\$23,247,097*	13,479,142	\$1.72
Connecticut . . . . .	2,932,066*	1,709,242	1.72
Massachusetts . . . . .	7,360,572	4,316,721	1.71
Pennsylvania . . . . .	12,830,778*	9,900,180	1.30

Note: \* These taxes are net, after deducting commissions to stamp affixing agents, as later explained.

Pennsylvania's per capita collections in 1940 were lower than those of the other three States for these reasons:

- (1) The rural population of Pennsylvania is greater than the rural population of the other three States and it is known that a rural population does not consume, per capita, as many cigarettes as an urban population.
- (2) Pennsylvania has many members of religious sects whose tenets prohibit the use of tobacco in any form.

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(3) Pennsylvania had a proportionately greater number of large military and naval reservations and bases where cigarettes were sold free of tax. This not only resulted in a consumption of untaxed cigarettes by those located therein, but undoubtedly provided sources through which untaxed cigarettes could leak into general circulation.

(4) Unlike New York, Connecticut and Massachusetts, a significant number of Pennsylvania residents worked in States not levying a tax on cigarettes. They were thus able to purchase cigarettes in such States but consume them in the State of Pennsylvania.

Since the collections of the other States listed are approximately the same, we may assume \$1.72 revenue per capita to be fair. In this connection it should be pointed out that when nearby States have no cigarette tax, a loophole in the full collection of cigarette taxes becomes available since it is a known fact that many persons purchase their cigarettes in tax-free States. Thus, as New Jersey is surrounded by States imposing a cigarette tax, its revenue should be proportionately higher than others not so situated. It is more conservative to base the estimate on \$1.72 per capita. On that basis and an estimated 1943 New Jersey population of 4,234,463 (United States Bureau of Census), New Jersey should collect \$7,283,276 (net after collection expense), while on the basis of the Massachusetts yield of \$1.71 per capita, New Jersey's yield would be \$7,240,932 (with some slight expense to be incurred in collection). It is therefore conservative to assume that a cigarette tax of 1/10th of 1 cent per cigarette, or 2 cents per package of 20 cigarettes, would yield \$7,250,000. If the rate of 1 cent per pack of 20, or 1/20th of 1 cent per cigarette, were charged, the yield would be \$3,625,000.

That yield may, of course, increase or decrease, depending on a number of factors, such as shifts of population to or from the State due to an increase or decrease in post-war industries as compared with the present, and a number of other imponderables, yet it must be borne in mind that no yield can be estimated in advance to a penny or even within some tens of thousands of dollars.

The States of Delaware, Pennsylvania, New York and Connecticut collect the cigarette tax by the use of stamps or meter impressions, while Massachusetts uses an inventory reporting system.

The method used by the State of New York is representative of the stamp tax system. Those selling or delivering cigarettes to customers within the State of New York, such as manufacturers or importing dealers, are required to purchase stamps or affix meter impressions. These individuals or concerns are designated as agents and are required to file a performance bond in the amount of \$1,000 with the State Tax Commission. A commission of 5 per cent (in Connecticut it is 6¾ per cent and in Pennsylvania 7½ per cent) of the value of the stamps purchased or the meter impressions affixed is allowed such agent as compensation for his services and reimbursement for any expenses involved. Adhesive stamps are of the decalcomania type and contain certain protective features. Such stamps have proven to be especially suitable for use on cellophane wrappers in which cigarette packages were formerly enclosed.

Each agent is required to effect cancellation of these stamps by imprinting on them the number assigned to him. Meter impressions consist of printing an ink design approved by the Tax Commission on each cigarette package. This is accomplished by a mechanical stamping machine which handles a carton of ten packages in a single operation. It operates on a control principle similar to the postage-stamp metering machine.

The New York State Tax Commission has appointed one of the New York banks as fiscal agent to sell stamps and supervise the administration of meter impressions. The fiscal agent has, in turn, designated a number of other banks located in several cities throughout the State as subagents. Cigarette tax monies collected by these institutions are deposited to the credit of the Comptroller of the State and the accounts are regularly audited by examiners of the Tax Commission. The fiscal agents receive no compensation.

Massachusetts does not use stamps but employs a monthly inventory report system. Every manufacturer, wholesaler, subjobber, vending machine operator and transportation company within the Commonwealth of Massachusetts must file a report similar to that used in the cases of the taxes on motor fuel and alcoholic beverages wherein they indicate the number of cigarettes on hand at the beginning of the month, the number manufactured, purchased, returned or otherwise acquired, the number sold to customers within the State, without the State and to agencies of the United States (tax free) and the number on hand at the end of the month. The tax is then based on the taxable cigarettes sold in Massachusetts. This system avoids the payment of a percentage for the affixing of stamps or meter impressions but undoubtedly results in lower tax collections because unscrupulous retailers may bring untaxed cigarettes into the State, and since no stamps are attached to the packages before they are sold to the consumer, it is impossible to tell whether or not the tax thereon has been paid.

#### *Increasing or Revising the Present Corporate Franchise Tax*

Under the New Jersey law, the tax on domestic corporations is levied on the total issued and outstanding stock, while in the case of foreign corporations it is based on that proportion of the issued and outstanding capital stock which the gross income derived from business done in New Jersey bears to the total gross income. The rates are different for par value and no par value stock. New Jersey exempts from its franchise tax domestic corporations which employ at least fifty per cent of their issued and outstanding capital stock in certain activities, of which manufacturing is one, granting a partial exemption to domestic corporations having less than fifty per cent of their capital employed in those activities. Foreign corporations are not so exempted.

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The "Twelfth Annual Report of the State Tax Department, State of New Jersey, for the Fiscal Year Ending June 30, 1943, and the Calendar Year Ending December 31, 1942," on page 21, shows the following collections from the corporate franchise tax in each of the fiscal years ending June 30, 1940 to 1943, inclusive:

	Year Ended June 30			
	1940	1941	1942	1943
Collections from Domestic Corporations .....	\$2,437,409.99	\$1,456,280.58	\$1,328,132.43	\$1,240,528.70
Collections from Foreign Corporations .....	452,156.65	477,415.19	402,771.66	385,238.43
Total .....	<u>\$2,889,566.64</u>	<u>\$1,933,695.77</u>	<u>\$1,730,904.09</u>	<u>\$1,625,767.13</u>

According to the report, the fiscal year 1940 yielded the highest collection of taxes from domestic corporations, and the following year the highest from foreign corporations. In the fiscal year 1939, domestic corporations paid only \$1,535,586.32. The reason for the very substantial increase in collections during the fiscal year 1940 is the fact that two years' collections were made in one year in many cases, since the collection date was advanced from August 7 to May 15. On the other hand, the collections decreased thereafter for three reasons: (1) some corporations changed their par value stock to no par stock, where this resulted in a lower tax; (2) some domestic corporations left the State and surrendered their New Jersey charters due to an attempt to enforce the intangible personal property tax in several communities; and (3) numerous smaller corporations dissolved so that the business could be conducted as an individual proprietorship or partnership with a consequent saving of Federal excess profits taxes.

We understand, however, that the downward trend has been reversed and that for the 1944 fiscal year collections have increased by about \$100,000. This may be due, in part, to war conditions and hence we think it would be safer to rely on the 1943 fiscal year collections, the lowest in many years, as indicative of future prospects.

If the tax rate were tripled, therefore, the increase in revenue would be expected to approximate \$3,250,000 or about twice the \$1,625,000 collections of 1943. We do not so conclude, however, because it may be anticipated that the increased rate will add impetus to the trend to change capital stock structures or take other steps to minimize the tax. For example, a corporation taxable on 10,000 shares of \$100 par value each now pays a tax of \$1,000 which would be increased to \$3,000 if the tax were trebled. If it changed its capital to the same number of shares of \$1.00 par value its tax would be only \$10 under the existing rate schedule and \$30 if the rates were trebled. Similarly, if no par value shares were adopted the tax would be reduced to \$300 (present rate) or \$900 (triple rate). Obviously if the rates were permanently increased under the existing law the tax-saving advantage of changing the capital structure would be accentuated and undoubtedly more corporations would resort to this practice. Hence, though a temporary tripling of the tax rate for, say,

one year would probably yield an additional \$3,250,000 because we believe that a number of corporations, particularly domestic corporations, would be satisfied with an increase in this tax—the amount of which they could be certain—as opposed to an uncertain intangible personal property tax, a permanent increase would not be so productive. Based on the 1939-1943 trend we estimate that a permanent tripling of the rate would yield in the neighborhood of \$2,000,000 additional revenue.

The foregoing assumes that the present formula for determining the tax base remains unchanged. However, it must be recognized that the present franchise tax law is inequitable. Domestic corporations not exempt from tax may not apportion their issued and outstanding stock, as may foreign corporations. On the other hand, domestic corporations engaged in certain prescribed activities are exempt from the tax, while foreign corporations engaged in the same activities are not. Measuring the tax by par values or an arbitrary rate per no par share, regardless of paid-in values, net worth or true values result in inequitable and unsound levies, and, as indicated, may defeat its own purposes. A corporation with a large number of shares of capital stock issued and outstanding may pay a larger tax than a corporation with a smaller number of shares issued and outstanding, even though their net worths may be the same. As pointed out, increasing the rate of tax accentuates these discriminatory features and leads to actions which further reduce the tax revenues. However, no data are now available to provide a sound basis for measuring the effect on the revenue of changing these basically inequitable and unsound features.

We have also given some consideration to a possible revision of the formula for determining the tax base by using actual net worth rather than the arbitrary basis set by the present statute. Here, too, unfortunately, no data are available to indicate the net worth of New Jersey corporations or foreign corporations engaged in business in New Jersey. Under the present law, corporations file details only if they are not exempt and those taxable do not submit statements of net worth.

Statistical data of other States seldom develop such information, and when they do, the figures are not comparable and do not provide accurate indications of what might be expected by New Jersey. For example, statistical data of Massachusetts corporations reporting to that State in 1943 reflect an aggregate net worth of \$2,348,886,554, yet three well-known New Jersey corporations whose statements are published reported an aggregate net worth in excess of that amount.

Any attempt to levy such a tax as one mill per dollar of net worth, regardless of where employed, would undoubtedly force many New Jersey corporations, not now exempt, to surrender their New Jersey charters. Furthermore, such a tax should provide for an allocation by all corporations, domestic and foreign. Again, no data are available to indicate what proportion of the net worth of all corporations would be allocated to New Jersey.

Though the expedient of doubling or tripling the corporate franchise tax, computed under the terms of the existing law, *may suffice temporarily, we believe it is essential that this tax levy be placed on a sound, equitable basis.*

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the franchise tax, temporarily, we equitable basis.

That cannot be done without danger of loss of revenue until adequate statistical data are developed so as to make it possible to estimate with reasonable accuracy the tax base under various methods. Then the rate can be set to produce the required revenue.

To accomplish this, we suggest that as a temporary expedient for 1945 only, all New Jersey corporations and all foreign corporations having an office in or engaged in business in New Jersey be required to pay the larger of the following three taxes:

(1) A tax computed under the existing law, with the same exemptions but at double the present rate.

(2) A tax computed at the present rate without exemptions, in whole or in part (except for corporations now subjected to franchise tax on some other special basis), but based only on capital stock allocated to New Jersey.

(3) A tax, at the rate of one mill per dollar of net worth, allocated to New Jersey, and without present exemptions except for corporations now subjected to franchise tax on some other special basis.

Allocation under both (2) and (3) above should be based generally on a three-factor formula consisting of the ratios of:

(1) Average tangible property within the State during the year, compared to total average tangible property wherever located.

(2) Wages and other compensation paid to employees within the State or operating from an office located within the State, compared to total wages and compensation.

(3) Sales resulting from the shipment of merchandise to destinations within the State compared to total sales.

The three percentages so arrived at should be added and the result divided by three. The quotient obtained would be the allocating factor.

The statistics obtained from reports furnishing the information required for the determination of tax on the three bases suggested will make it possible to develop a sound, thoroughly considered taxing statute on one basis or another, applicable to 1946 and later years, that will meet the circumstances of New Jersey corporate business, and produce a reasonably stable revenue. That will undoubtedly involve an increase in the corporate franchise tax burden, particularly in the case of New Jersey corporations now largely or wholly exempt from the present franchise tax, but it is these corporations which will benefit most from the removal of the threat of a "tax raid" through the sudden imposition of a levy on intangibles. We believe, therefore, that most of such corporations will welcome such a change.

As the temporary alternatives suggested will (1) at least double the revenue from those presently taxable, (2) increase the tax of others, now undertaxed, to a greater extent, and (3) develop revenue from those now wholly exempt, they should produce several times the revenue now being derived from the

franchise tax and considerably more than the revenue which would be lost through the elimination of the tax on intangibles.

It is entirely possible that, for the transition year, assessment of the tax on the highest of the three bases, especially when combined with assessments for property taxes which have already become fixed, may result in some cases in a higher than normal and possibly an inequitable tax burden for that year. However, it is suggested here only for transition purposes pending the development of a sound, permanent corporate franchise taxing system. In view of the low net cost to most corporations after taking into account the resulting reduction in Federal income and excess profits taxes, we do not believe any serious hardship will result, or that corporate business is likely to make serious objections to the proposal.

We might add that the State of New York has just imposed a transition franchise tax which, in effect, levies two, and in some cases three, years' taxes in one corporate fiscal year, yet in view of the low net cost, such levy was, in view of other long range benefits, generally accepted, one may almost say welcomed, by corporate business.

#### *Meals Tax*

Massachusetts taxes meals at the rate of 5 per cent on each check of \$1.00 or more. It was estimated by Massachusetts officials that such a tax would yield \$2,000,000 in an average peacetime year. Now Massachusetts receives about \$2,400,000, but the excess \$400,000 is considered to be due to war conditions. It is estimated by these same officials that if, on the other hand, the tax were 1 cent on each 20 cents for checks of 60 cents or over, the yield in a peacetime year would be \$4,000,000. The population of Massachusetts in 1940 was 4,316,721, which compares with the estimated population of New Jersey in 1943 of 4,234,463. It is estimated, therefore, that if New Jersey levied a meals tax on the basis of the present Massachusetts tax, a conservative estimate of the yield would be \$2,000,000.

We might mention here that, under the Massachusetts law, liquor and wines served with meals are included in the amount subject to the tax. This feature should be covered by the law and proper provision should be made to cover American Plan hotel charges; otherwise the yield might be materially reduced.

If a meals tax were imposed on the basis of 5 per cent on checks of \$1.00 or over, the majority of residents who dine out would pay no tax. On the other hand, a substantial part of the total tax would be collected from transients who now contribute little or nothing to New Jersey revenues. We have in mind here the substantial resort operations which draw heavily from New York, Delaware and Pennsylvania.

#### DISTRIBUTION OF REVENUES

Should it be the decision to either increase or revise the corporate franchise tax on one of the bases hereinbefore discussed, or to impose the cigarette or meals tax, it will be necessary to provide for some distribution of the additional revenue back to the local taxing jurisdictions to offset whatever loss of

revenue may result from the change in the property tax base. Technically, the tax should not result in a loss of revenue in each locality would tax all property. On the other hand, it may be that the aggregate revenue may be that the aggregate revenue. In others it will charge a rate unless the local revenues.

Obviously, of course, the tax should be regarded as a direct tax on the taxation of intangibles in each locality. How the revenue is to be distributed to accomplish the purpose is to suggest themselves.

#### *Franchise Tax*

If the corporate franchise tax might be adopted for the State, the ratio would be the ratio which would be levied for 1945 by all other States. The best method which comes to your attention.

A more equitable method in future years if a tax is adopted—would be to tax the localities on the basis of the real and tangible property on a similar basis is used to make the allocation in their annual tax.

Under this procedure should be considered the tax. Assume that this tax law amounted to \$1,000,000 and an amount distributed to the localities and tangible personal property \$1,000,000 and an amount located in a particular locality of the amount to be distributed.

We believe this is the best method of a corporation and of the tangible assets tax on intangibles.

revenue may result from the elimination of intangibles from the general property tax base. Technically speaking, the removal of intangibles from the base should not result in any loss of revenue, because the budget requirements of each locality would then be spread over a lesser aggregate assessed value for all property. On the other hand, as previously indicated, the ultimate effect may be that the aggregate assessed values will not change in some jurisdictions. In others it will change and result in an increase in the general property tax rate unless the localities receive a share of the offsetting increase in State revenues.

Obviously, of course, if increased franchise taxes or new taxes are to be regarded as a direct substitute for the revenue heretofore derived from the taxation of intangibles, the distribution should be based on the revenue loss in each locality. However, that would require a careful and specific determination of the revenue loss, something that will be quite difficult if not impossible to accomplish. Assuming that that cannot be done, then other possibilities suggest themselves.

#### *Franchise Tax*

If the corporate franchise tax were changed, one temporary expedient which might be adopted for distribution to the localities of the additional revenue would be the ratio which the tax levied by each jurisdiction, for the year 1945, on personal property, tangible and intangible, bears to the total of such taxes levied for 1945 by all taxing jurisdictions. We do not think this is the soundest method which could be adopted and do not recommend it; we merely bring it to your attention as a simple expedient.

A more equitable basis for distribution—and this would certainly apply for future years if a permanent change in the franchise tax provisions were adopted—would be to apportion the additional revenue from that source to the taxing localities, in accordance with the location, within the State, of the real and tangible personal property of the corporations paying the tax. A similar basis is used by the State of New York, and the information necessary to make the allocation can be obtained by requiring corporations to report it in their annual tax returns.

Under this procedure it will first be necessary to set an amount which would be considered the normal revenue which the State would ordinarily derive. Assume that this is \$1,625,000. If the revenue collected under the amended law amounted to \$5,000,000, the excess of \$3,375,000 is the amount to be distributed to the local jurisdictions. If all corporations report that total real and tangible personal property in the State of New Jersey aggregates \$2,000,000,000 and an analysis of all such reports shows that \$20,000,000 thereof is located in a particular taxing jurisdiction, such locality would receive 1 per cent of the amount to be distributed, or, in the illustration used, \$33,750.

We believe this method is sound because, generally speaking, the intangibles of a corporation are the adjuncts necessary to the proper use and functioning of the tangible assets, and it is logical, therefore, that revenue replacing the tax on intangibles should be so allocated.

In connection with the changes suggested with respect to the franchise tax, another problem arises. As a practical proposition, the assessments for the 1945 general property tax have already become fixed and the taxes thereon at the general property rate will be paid during that year. Similarly, an increase in the franchise tax would also be paid during 1945, so it might appear that for 1945 no increase in the franchise tax is necessary. However, the accumulation of the necessary statistical data, particularly if the allocation is based on the location of tangible property, will require considerable time, so it is quite unlikely that the localities will actually receive any distribution of the increased franchise tax until 1946 or, at the earliest, late in 1945. Furthermore, they will not be able to include this revenue in the budgets on the basis of which the 1945 general property tax rate will be fixed. Under such circumstances, the additional franchise tax that will be collected in 1945 should be regarded for practical purposes as an advance payment on revenues for the year 1946, because that is the first year in which the local taxing jurisdictions will be able to take such revenue into account.

#### *Cigarette Tax*

For the distribution of any revenue which may be derived through the imposition of a tax on cigarettes, we suggest the use of the population statistics. Under this procedure, each locality would receive such proportion of the total tax derived from cigarettes as its population bears to the total population of the State.

While this method of allocation does not tie in directly with the tax on intangibles, it is definitely related to the source from which the revenue is derived. Except for the slight variance between the per capita consumption of urban population compared with rural population, the larger the number of people in any locality the greater will be the tax revenue derived from that locality.

With respect to the tax on cigarettes (and this is equally true of the tax on meals, next discussed), the problem of overlapping periods which arises with respect to the franchise tax is not present. Either of these taxes can be imposed so that the revenue therefrom will become available at the same time as the tax on intangibles would have become available if it had not been eliminated.

#### *Meals Tax*

Inasmuch as every restaurant serving meals will necessarily have to report the taxable meals it serves and the amount of tax due thereon, the most logical procedure would be to allocate it back to the localities in which are served the meals from which the revenue is derived.

In view of this direct distribution to the localities in which the revenue is produced, it might be thought desirable to provide for no State tax and leave it to the locality to impose its own tax on meals, or, under a State-wide levy, permit the localities to make direct collections. However, there would be no assurance that all taxing jurisdictions would impose a meals tax or enforce it

if it were imposed would be especially any particular just a heavier cost for lack of uniformity of the tax on intangibles on a State-wide basis.

#### POSSIBLE I

Several of the have outlined in will be lost through possible to fix the revenue required. franchise and cigarette comparable with

If the revenues intangibles, we suggest taxes it otherwise State now receive excess revenues derived used to reduce the of the State Treasury locality through further consideration all of the revenue adopted, to reduce taxing jurisdictions which might have revenue to the locality of real estate in order permit such localities

In concluding follows:

- (1) Intangible base.
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- (3) If allocated through the porate franchise and/or meals

if it were imposed on a State-wide basis but left to local enforcement. This would be especially true if the revenue were not of material consequence in any particular jurisdiction. However, such a procedure is likely to involve a heavier cost for enforcement of the law and eventually tend to create that lack of uniformity which is now so serious in connection with the imposition of the tax on intangibles. Hence, we recommend that the tax be imposed on a State-wide basis and be collected by the State.

#### POSSIBLE USE OF INCREASED REVENUE BEYOND REQUIREMENTS

Several of the possible replacements for the tax on intangibles which we have outlined in this report may involve the collection of more revenue than will be lost through the elimination of such tax. In some cases it will be possible to fix the rate so as to produce substantially the exact amount of revenue required. On the other hand, when dealing with such taxes as the franchise and cigarette taxes it may be desirable to levy a tax that is more comparable with similar taxes levied by neighboring States.

If the revenues should be more than the amount needed to offset the tax on intangibles, we suggest that such revenues be used by the State to reduce the taxes it otherwise levies as an addition to the local general property tax. The State now receives, annually, about \$15,000,000 through the school tax. Any excess revenues derived from one of the alternatives herein suggested could be used to reduce the rate of tax now levied directly on real estate for the purpose of the State Treasury, and thus provide a direct benefit to the residents of the locality through a reduction in the taxes on real estate. As a matter of fact, further consideration along these lines might indicate the desirability of using all of the revenues derived from such of the suggestions herein as may be adopted, to reduce the school tax and make no direct distribution to the local taxing jurisdictions on any other basis. Theoretically, an indirect procedure which might have the same effect would be to distribute all of the additional revenue to the local jurisdictions on the basis of the ratio of the assessed value of real estate in each locality to the total of such assessed values, which should permit such localities to reduce the tax rate that otherwise would be required.

#### CONCLUSION

In concluding this report, we summarize our general recommendations as follows:

- (1) Intangibles should be eliminated from the general property tax base.
- (2) The corporate franchise tax provisions should be modernized and placed on a sound equitable basis regardless of what is done with the intangibles tax.
- (3) If additional revenue is required to replace that which will be lost through the elimination of intangibles from the tax basis, either the corporate franchise tax revenue should be increased or a tax on cigarettes and/or meals imposed.

(4) The additional revenues derived by the State from any of the foregoing should be either distributed to the local taxing jurisdictions or used by the State to reduce its direct levies on real estate.

We wish to repeat, however, that while the results of the taxation of intangibles—the most antiquated feature of the taxing system—are more serious than any other feature, many other features require thorough study and modernization. To this end, we urge that steps be taken either by the existing Commission or such other body as may be designated for the purpose, to study all phases of the financial and tax structures of the State.

Yours truly,

PEAT, MARWICH, MITCHELL & Co.

**Memorandum from the Chamber of Commerce of the City of Newark, November 30, 1944, Pertaining to the Taxation of Personal Property in New Jersey.**

Newark business and industry as represented by the Chamber of Commerce of the City of Newark is not seeking to dodge its fair share of the tax burden of local government. However, it believes that the most important consideration for the future welfare of all taxpayers and of all citizens of the city, State and nation is to provide the maximum of opportunity for employment in the post-war period.

The greatest threat in New Jersey to maximum opportunity for employment is the danger of tax lightning. Newark has seen this danger vividly illustrated. When the tax lightning first struck here, many industries simply walked out. Some left the city, some left the State, some just moved their principal offices. When the tax lightning again threatened in Jersey City, a similar result followed. News of New Jersey's tax lightning spread throughout the country and since then it has been difficult to get any industries to take a chance in New Jersey, and particularly in its two large cities.

The war industries are simply the exception that proves the rule, for in a war industry the tax question is unimportant for the time being.

It is obvious that if taxes are too high business cannot prosper and furnish employment. It is also obvious that if personal property, both tangible and intangible, were assessed on the basis of true value and taxed at current tax rates, hardly any competitive business could survive. But the fear that destructive tax lightning might strike at any time creates a depressing uncertainty which is sure to prevent the normal expansion of existing industry and the development here of new industries.

Business should bear its fair share of taxes, but if it is to prosper, it must know in advance what that share is going to be in order to make its plans accordingly. If it sees a reasonable chance to profit by expansion, it will expand, but if it cannot tell whether its anticipated profit will be wiped out by unexpected tax lightning, it will abandon any plans for expansion within range of that lightning. New Jersey offers many great advantages for post-war industry. If we wish the advantage of the opportunities for employment that expansion of industry can bring to this State, we must clear the way for it by eliminating the danger to business of this tax lightning and substitute for it some basis of taxation which will be fair to all, but will be definite and easy to determine and plan for.

The Newark Chamber of Commerce proposes a substitute method by eliminating the personalty, both tangible and intangible, to be proposed, each should be universal.

If a State-wide and intangibles should have differing rates. In the valuation of its real estate, separate treatment should be given to the window. In so respecting business.

The Newark Chamber of Commerce proposes a substitute tax, because of the likelihood of adoption. Whatever method is chosen to raise at least as much as is to be raised in the business. The main purpose is to raise the business.

Since the principal reason for employment, and for business employed in business, the Newark Chamber of Commerce recommends respect for the business.

Obviously, the general principle is that even the location of business should be raised from State to State. Years would be taken to that under such a plan now collecting from the State to allocate to those heretofore been a recommendation of the Newark Chamber of Commerce.

If your Commission recommends the removal of the tax on property used in business. In that case, how the near future of business property at full value is lifted, New Jersey is the sole hope of the business.

Respectfully yours,  
by direction of the Newark Chamber of Commerce

The Newark Chamber, therefore, hopes that this Commission will recommend a substitute method of taxation which will eliminate the danger of tax lightning by eliminating the present method of local ad valorem taxation of business personalty, both tangible and intangible. Several forms of substitute tax might be proposed, each having some advantages and some disadvantages. The system should be universal and State-wide.

If a State-wide ad valorem tax is recommended, then the rates for tangibles and intangibles should differ and there might be still further classifications with differing rates. If a tax on net worth is recommended, obviously the assessed valuation of its real estate should be deducted. In either case there should be a separate treatment for strict holding companies because they can so easily fly out the window. In some cases provision would have to be made for some allocation respecting business conducted outside of New Jersey.

The Newark Chamber expresses no preference between different methods of substitute tax, because it feels that the best method would be the one which is most likely of adoption, for no proposal will solve the problem unless it is adopted. Whatever method is recommended, the minimum rate should obviously be sufficient to raise at least as much as is now being raised and as may reasonably be expected to be raised in the immediate future by the present taxation of personalty used in business. The maximum rate should not be so high as to drive business out.

Since the primary purpose of this proposal is to increase the opportunities for employment, and since personal property, whether tangible or intangible, not employed in business offers little prospect of directly furnishing employment, the Newark Chamber feels it would be outside of its province to make any recommendation respecting personal property not employed in business.

Obviously, the money raised by the substitute tax should be so used as to reduce the general property tax. The location of principal offices, and in some cases even the location of factories, is not always a sound basis for distributing a tax raised from State-wide business. Perhaps the fairest method over a period of years would be to use it in reduction of the State school tax. If it seems likely that under such a proposal some municipalities would receive less than they are now collecting from their local assessments on personalty, it would be possible to allocate to those municipalities in the beginning a sum not less than they have heretofore been collecting. It may be that your Commission will not make any recommendation as to the precise disposition of the substitute tax. Therefore, the Newark Chamber will not discuss that feature at any further length.

If your Commission feels that it cannot at this time recommend the complete removal of the fear of tax lightning, of course, the elimination of intangible property used in business from local taxation would be a step in the right direction. In that case, however, every effort should be made to take the additional steps in the near future. Until this ever present threat of the possible taxation of personal property at full value at rates from 3 per cent to 5 per cent has been completely lifted, New Jersey cannot hope for the expansion of business and industry which is the sole hope of expanding employment.

Respectfully submitted for the Chamber of Commerce of the City of Newark,  
by direction of its Executive Committee.

By J. H. THAYER MARTIN.

**Statement by Julius S. Rippel of the City of Newark, Pertaining to the Enforcement of the Present Intangible Tax Law in New Jersey.**

It is all too common a human trait if something is amiss to clamor for a law to remedy it and to subside satisfied when a law—any law—has been passed bearing on the subject.

**The Problem**

Something is amiss in New Jersey's system of taxation. The owners of real estate bear a crushing burden. Desperate quest for more ratables to keep tax rates down has led to haphazard assessment of non-real estate holdings of some taxpayers, largely corporate, whose accumulations greatly simplify the assessors' task by enabling them to add large levies to the assessment rolls without the back-breaking work of evaluating the personal wealth of all within their districts. And so some business enterprises have been made to share and sharing, have lightened the burden of hard pressed real estate owners.

This has been no real solution. Mobile business units, made to carry the real estate owners' burden a little of the way in one taxing district, have picked themselves up and have migrated to other less hard pressed areas and have left real estate owners and businesses unable to move to struggle as best they may with the burden which all should bear.

And now we have a commission to study some new system for the taxation of intangible wealth whose function it would appear to be to base upon this ill-starred, bare beginning of the application of the existing personal property tax law an excuse for some new law to which, if experience is any guide, no greater attention will be paid by those charged with the administration of it than those charged with the administration of the existing law have paid to it and thus, the enthusiasm built up for reform will as usual be dissipated with the framing and enactment of a law and the poor taxpayer will find his plight not one whit improved.

**Created by Gross Failure of Administration**

The trouble this time is not with the Legislature. We have a law. The Legislature has provided a seemingly fair, fairly complete system for determining what each should pay toward the expenses of our government. The trouble this time is with the executive branch of the government—with the administration of the existing law.

We hear on all sides that the administration of the existing law is impossible; that if it were enforced wealth would flee the State; and the experience of Newark and Jersey City in having corporations seek safety in flight when the personal property tax law was applied by those cities to them is pointed to as the horrible example of what might ensue if the existing law were actually put into use.

The tax flight of business enterprises from cities assessing them upon the value of their personal holdings does not prove that the existing law is unworkable. It proves, if proof were needed, that the tax law now on the books is almost universally flouted by those sworn to enforce it. It proves, too, that business enterprises do not want to pay on their intangible wealth at the exorbitant \$4.00, \$5.00 and \$6.00 rates of taxation at which real estate is taxed and will, if they can, escape taxation at that rate by flight.

There is no body of experience as to what would happen if the existing law were applied universally for the altogether simple reason that the existing law

has not been used except in a few wide disrepute. So true litigation between three Newark over 1935 per stated:

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Actual experience of the existing tax law of the exemptions fro reason for them is a year to pay taxes at widely, some improv pecuniary and crimir and large the existin for reasonably fair t workable and call upo tried out. Our taxin scheme is not applied automobile run smootl

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has not been used except spottily, haphazardly and in such wise as to bring it into wide disrepute. So true is this that even our courts take judicial notice of it. In litigation between three corporations in which I am interested and the City of Newark over 1935 personal property tax levies, Vice-Chancellor Bigelow recently stated:

"But they (the corporations in question) were also aware that assessors throughout the State have long ignored the statute in assessing personal property \* \* \* they expected the Board (referring to the Board of Assessment and Revision of Taxes of the City of Newark) to disobey the statute."

#### Existing Law Not Proven Unworkable

Difficulty in finding what intangible wealth each taxpayer has, ease of concealment and the like are offered as excuses for this gross dereliction of duty by the executive arm of our State Government.

Those who talk thus have never attentively read the existing law, have never seriously considered the tremendous power lodged by the Legislature in the hands of those who fix our assessments, do not know how helpless our courts appear to be to protect even cooperative taxpayers from ruthless, ratable-hungry assessors.

Those who talk thus conveniently forget the huge success of our Federal Government in the administration of the income tax law. Income is, if anything, easier of concealment, more difficult of ascertainment than wealth. That fact did not deter our Federal Government from enacting an income tax law and when it was passed the Federal Government did not simply throw up its hands in face of a supposedly impossible task. Instead it rolled up its sleeves and went to work. Many of us may wish that it was less vigorous about it, less relentless in pursuit of each item of income, less ingenious in the preparation of income tax blanks to search our consciences and remind us of all the things that constitute income, less prone to apply the penalties for failure to report or delay in reporting, less exacting about collections, more complacent about evasions, but the tax law provided by the Congress, administered by the Treasury Department, gets the revenue in and taxing intangible wealth is easy by comparison.

Actual experience in the complete, impartial, fair and vigorous administration of the existing tax law might dictate some modification of it, some reconsideration of the exemptions from taxation presently provided, particularly where the major reason for them is actual inability of the items exempted, to earn enough in a year to pay taxes at the high rate per \$100.00 of valuation which obtains so widely, some improvement in the enforcement procedure, some provision for pecuniary and criminal penalties for fraudulent concealment of assets; but by and large the existing law affords a complete and completely workable system for reasonably fair taxation. At least no one is qualified to criticize it as not workable and call upon the Legislature for changes in it because it has never been tried out. Our taxing structure works unfairly and unevenly because the whole scheme is not applied. What we have been doing is a lot like trying to make an automobile run smoothly with spark plugs in only three of six cylinders.

#### Unequal Assessment of Real Estate

Everyone familiar with real estate knows that there are areas in our State, mostly the populous ones, where concentration of population increases governmental cost and with that increase sharpens the quest for ratables, where, as a

consequence, assessments approach, equal and even succeed the going value of the real estate assessed.

Everyone familiar with real estate also knows that there are other areas, generally speaking, the less populous ones, where assessments are at a small fraction of the obtainable values.

This fact comes into sharp focus in the administration of the transfer inheritance tax law in which decedents' estates are required to report both assessed value for the year of death and estimated market value and often to support the estimated market value by sworn expert appraisal or other satisfactory evidence of value. I am informed that real estate assessments as low as one-eighth of actual value as admitted by decedents' estates or fixed by appraisal and accepted by the Transfer Inheritance Tax Bureau are not unknown and that in a very substantial number of inheritance tax proceedings there is a very large gap both in dollars and proportionately between assessed value and actual value.

### Non-Assessment of Personalty

Everyone knows that personal property is virtually unassessed. The extent of the underassessment and the amount of ratables to be found by proper assessment is perhaps not fully realized. With respect to tangible wealth every householder knows that the \$100.00 to \$500.00 personal proper assessments commonly levied against householder after householder upon his personal property is but a fraction of their real value as reflected by their cost, the amount of the insurance he carries on them against the loss or destruction of them or damage to them or what he would want for them from his insurer if they were lost, destroyed or damaged. Five hundred dollars would not suitably furnish one room, would scarcely buy one rug in many a home against the owner of which \$500.00 is the whole personal property assessment.

Fortunes have been made in 5-cent and 10-cent businesses. A fraction of a penny profit per item handled has paid the cost of distribution and enabled their proprietors and the offspring of their proprietors to live in untold luxury. Tax dollars uncounted lie in the full fair assessment of the personal holdings of New Jersey's millions of residents.

Every businessman knows, too, that inheritance and estate taxes at death are levied year in and year out upon the estates of persons dying in New Jersey where the intangible personal estates disclosed to exacting death tax collectors completely belie the innocent looking "Personal property—\$300.00" appearing in the assessment rolls of the taxing districts in which they live in the very year of death. What the State and Federal Government can find out at death for inheritance and estate tax purposes, the assessing authorities have ample power to find out in life and it is their sworn duty under the law to do so.

Even in those tax-hungry districts in which an attempt is made to apply the personal property tax law to business enterprises it is not applied to taxpayers at large. It is not applied otherwise than haphazardly and in some areas venality and favoritism riddle the program and make it a mockery.

And when enterprises which can move out do so, the taxing districts in which they take refuge and the county boards of taxation in the counties of their refuge blandly ignore the publicized fact that these newcomers have taxable wealth which they fled to protect from taxation.

I am no radical. I am not thus critical of the administration of our tax law because I want to pay more taxes and want everybody to pay more taxes. Basically

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what we collectively pay in the aggregate to support our governments depends upon how much money they spend. Real tax saving must start with economy.

What I have to be interested in is a sound system for the fair distribution of the aggregate burden. I am more interested than the average in keeping business and personal wealth in New Jersey. I do not suggest any sudden, inconsiderate application of the existing tax law.

#### Program

This is what I suggest:

##### SURVEY OF INHERITANCE TAX REPORTS

A study should be immediately made beginning in the office of the State Tax Commissioner, in the Transfer Inheritance Tax Bureau, of the value of the real and personal property of persons dying in this State (or owning real or tangible personal property in this State if non-residents) whose holdings have been reported for inheritance tax purposes for a long enough period backward into the past (a minimum of a year) to afford a sound basis for the conclusions to be drawn. Holdings should be classed as taxable, non-taxable, exempt. Debts allowed as deductions in the inheritance tax proceedings (other than those incurred by the last illness and death) should be tabulated insofar as due to New Jersey creditors and should be deducted from intangibles otherwise taxable to give a fair picture of the proper net assessment against each decedent in the year of death.

That net value should be compared with the actual assessment levied against each decedent's real and personal holdings in the year of death.

It is my judgment that such a study will show that the proper application of the existing law will double, even treble, and perhaps quadruple ratables throughout the State insofar as levied against individual taxpayers.

##### CONFIDENTIAL SURVEY OF INCOME TAX RETURNS

With respect to taxpayers other than mortal individuals the commission delegated to consider the taxation of intangible wealth in New Jersey is not without sources of similarly reliable information as to what would result from the proper, complete, impartial administration of the tax law as written.

Every business enterprise from the smallest to the largest must make a Federal income tax report. Every businessman is familiar with the deductions allowed from gross income in determining incomes subject to taxation, of depreciation upon the tangible personal property with which his business is conducted. Every businessman is familiar with the exacting requirements of the Federal Government with respect to the taxpayers reporting income and classifying it according to its source. A fair judgment of the intangible wealth of every income taxpayer subject to taxation in New Jersey can be formed from an examination of his income tax return.

Under the revenue code the Internal Revenue Commissioner will at the request of the Governor of a State make available for confidential use of the taxing authorities of the State and its taxing subdivisions concerned with the administration of the tax law the income tax returns of taxpayers who are subject to taxation in that State.

The executive branch of our government should make use of this authority and a study should be made of the income tax returns of a substantial number of

business enterprises in the State, a judgment formed as to the actual depreciated value of tangible property of each and a comparison should be made of that actual admitted value of tangibles depreciated at normal rates with the personal property assessment levied against the same taxpayers in the municipalities in which the same tangible personal property is located and taxed.

A study should also be made of the income schedules in the same group of income tax reports and that income should be analyzed and compared with the available information as to the taxable intangibles of the same taxpayers. Such an examination will furnish reasonably reliable information as to what these New Jersey taxpayers should be assessed for their tangible and intangible personal property.

In my judgment such a study will show, as with the individual taxpayer upon whom a check has been made by way of the report of his assets filed at his death with the Transfer Inheritance Tax Bureau, that but one-half, one-third or even one-fourth of taxable value is reflected in present assessments.

#### ENFORCE THE EXISTING LAW

When such studies have been completed they will show with a fair degree of accuracy what might ensue upon a proper application of the existing tax law. If, as I think, it shows hidden ratables duplicating, trebling or even quadrupling existing aggregates, then the course to pursue is clear. Enforce the existing tax law.

Tax flight is a luxury indulged in by those able to move before the impact of \$4.00, \$5.00 and \$6.00 tax rates on assessments approaching 100 per cent of assessable value. Tax flight assumes a motive and a place to go. The uniform application throughout the State of the existing law will deprive those who would flee of a place to go unless it be out of the State.

Uniform application of the existing law will, moreover, take away the incentive for flight. For it is simple mathematics that if you double, treble or even quadruple ratables you cut tax rates in halves, thirds or quarters of their present dollar amount. With all the exemptions the present law affords for intangible wealth little of it is going to have any incentive to move when by simple mathematics the tax rate which was \$5.00 becomes \$2.50 or \$1.67 or \$1.25. This is especially true when one considers the fact that those having large personal fortunes and consequently large personal property tax bills to pay (even at a \$1.25 rate) also have to pay taxes upon their net incomes at high rates and under the income tax law are able to deduct from gross income what has been paid for local taxes whereby what is taxation at the rate of \$1.25 per hundred of valuation becomes taxation at 50 cents, 60 cents or 75 cents net.

#### THE GOVERNOR'S RESPONSIBILITY

How then can the existing tax law be enforced if the study I suggest indicates anything like the results I anticipate will follow from it?

The responsibility rests squarely upon the shoulders of the executive branch of the government and directly upon the Governor. He has complete jurisdiction in the premises. The present Governor is even now engaged in considering whether or not the State Board of Tax Appeals should be reorganized by the removal of some of its members for misfeasance, nonfeasance, or malfeasance in office. A State Board of Tax Appeals which does not sustain assessments levied locally or

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by county boards of taxation predicated upon complete application of the present tax law can be removed from office by the Governor.

The Governor has complete control of county boards of taxation. They are gubernatorial appointments. Governor Edison during his term of office removed the entire members of the Hudson County Board of Taxation and appointed an entirely new board.

The present Governor has the power to demand of county boards of taxation in each of our twenty-one counties that they see to the application in their counties of the tax law as written and can remove them if they fail to do so.

Having complete control over county boards of taxation, at least to the extent of being able to remove them from office and replace them if they fail to function, the Governor can see to their proper supervision of the assessing authorities under them and can insist that they instruct the assessors under their jurisdictions to use the authority the law has given them and to discharge their sworn duty by levying assessments against all within their jurisdiction at 100 per cent of the value of their taxable real and personal property.

The Governor can by his control over the county tax boards also see to it that if any local assessor fails in the discharge of his duties the county board exercises the authority it has under the law to make that assessor's assessments for him at 100 per cent of the value of the holdings of every taxpayer subject to his jurisdiction.

It might be necessary in connection with such a program that all county tax board members be summoned to a meeting and instructed as to their powers and responsibilities, that all assessors be summoned to a meeting and specifically instructed as to their powers and responsibilities and what is expected of them and what will be done if they fail to produce.

It might also be very helpful in the establishment of such a program for the Governor to authorize the preparation of an intelligent personal property tax return and to sponsor clear, widely publicized instructions for its timely distribution by assessors and clear, widely publicized instructions for filling it out and as to the date and place for the filing of it.

It will be vitally important for the success of any such program that it be inaugurated vigorously and on a State-wide basis simultaneously so that no assessing authority desiring to cooperate and intending bona fide to do so need have any fear that it will be politically expensive for him to do so or that he will be criticized in his own community because there were other communities in which it was not done. Vigorous action by the Governor can produce uniform simultaneous application of the existing law throughout the State.

### Results

These are the results which I should anticipate will flow from such a program:

1. Taxation of personal property, particularly of intangible wealth, for the year in which the program is inaugurated at rates which personal wealth can afford and will be willing to pay.
2. Taxation of real estate at a fraction of its present burden.
3. Actual demonstration of the truth or falsity of the common assertion that intangible wealth will flee before threat of having to make a fair contribution to the cost of our governments, deductible as it is from income in determining net income for the application of income tax rates.
4. An intelligent basis for determining what changes in the personal property tax law are necessary.

**Preliminary Report of the Association of Municipal Assessors of New Jersey,  
November 30, 1944, Pertaining to Recommendations for the Commission's  
Study and Approval.**

**Foreword**

It is the hope of the assessors of the State that the New Jersey State Commission on Taxation of Intangible Personal Property may be the means of creating legislation toward procuring the necessary data to assess intangible personalty on a fair and equitable approach to value. Since the growth of our State from small farming communities to suburban and urban cities and the transfer of wealth from farm husbandry to stocks and bonds and other intangible assets, a growing problem has been developed for the assessor.

Taxation of intangibles creates an impasse, which the assessor has attempted to remove without satisfactory results because of the lethargy of the public, the Legislature and the assessors themselves.

Forms have been seriously used in an attempt to seek the owners and value of intangible personalty throughout the State with the result that they either are not returned, fictitiously filled out and in some communities favorable consideration has been given taxpayers because of the confiscatory character of the intangible personalty tax.

Our association is conversant with all the evils of the intangible personal property tax as it is presently set up and administered. We submit the following recommendations for the Commission's study and approval:

(1) The assessment and collection of intangible personalty should be vested in a central authority, preferably the State Tax Commission.

(2) Forms for listing intangible personal property should be uniform throughout the State, with differentiation between different groups or classes of taxpayers.

(3) To facilitate use of balance sheets and income accounts, most of which are made up on a calendar year basis, it is recommended that a January 1st assessment date be established.

(4) It should be mandatory for all taxpayers owning intangible personalty to file a tax list with the central authority.

- (a) False returns should be punishable by severe punitive measures.
- (b) Similar penalties should be provided for failure to file.

(5) Each business concern, whether incorporated or not, should be required to accompany its return with a balance sheet.

(6) Every taxpayer subject to a Federal income tax should be required to accompany his return with a copy of his income tax return.

(7) The central authority should be supplied with records of taxable stocks and bonds.

(a) Legislative action should require corporations to submit annual lists of names and addresses of resident stockholders and registered bondholders of record, with the number of shares or face value of bonds held.

(b) Copies of reports made to the United States Securities and Exchange Commission should be supplied.

(c) Building and loan or savings and loan associations should submit lists of shares held by their constituents.

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(8) Chattel mortgages and conditional sales contracts should be furnished the central authority by the county clerk's office.

(9) Copies of receiverships, estates of bankrupts, estates of decedents, and estates of minors and minors administered by guardians under supervision of the courts should be provided.

(10) Collateral used for bank loans should be provided by banks.

(11) There should be close cooperation between assessors of all districts and the central authority in the exchange of information concerning intangibles.

(12) The central authority should furnish a copy of their list and method of arrival of value to the assessor each year.

(13) The basis of all values shall be "market value" arrived at through an analysis of market price, face, par and book value and capitalization of earnings.

(14) It is believed that all intangible personalty should be taxed on a reasonable and bearable basis and the test of experience in subsequent years should determine whether it should be raised or lowered.

(15) An excellent purpose for the use of the tax revenue provided by this new source would be to allocate it for the use of our public schools and disbursed by the State.

#### Conclusion

A complete description of each heading has not been provided. Should your Commission believe in the merit of any item we shall be glad to enlarge on our descriptive data.

We are most grateful of the opportunity to be heard in this matter and hope we have made some contribution that will be of assistance to you in your final determination.

In the event that proper legislation with "teeth" in it is not enacted, then it is our suggestion that this form of taxation be eliminated and some other form substituted.