

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

before

ASSEMBLY COMMITTEE ON TAXATION

on

ASSEMBLY BILL NO. 416 - re
"Sales and Use Tax Act."

Held:
January 28, 1970
Assembly Chamber
State House
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Richard W. DeKorte, Chairman, Assemblyman
Joseph M. Healey, Assemblyman
William J. Dorgan, Assemblyman
C. Richard Fiore, Assemblyman
James J. Florio, Assemblyman

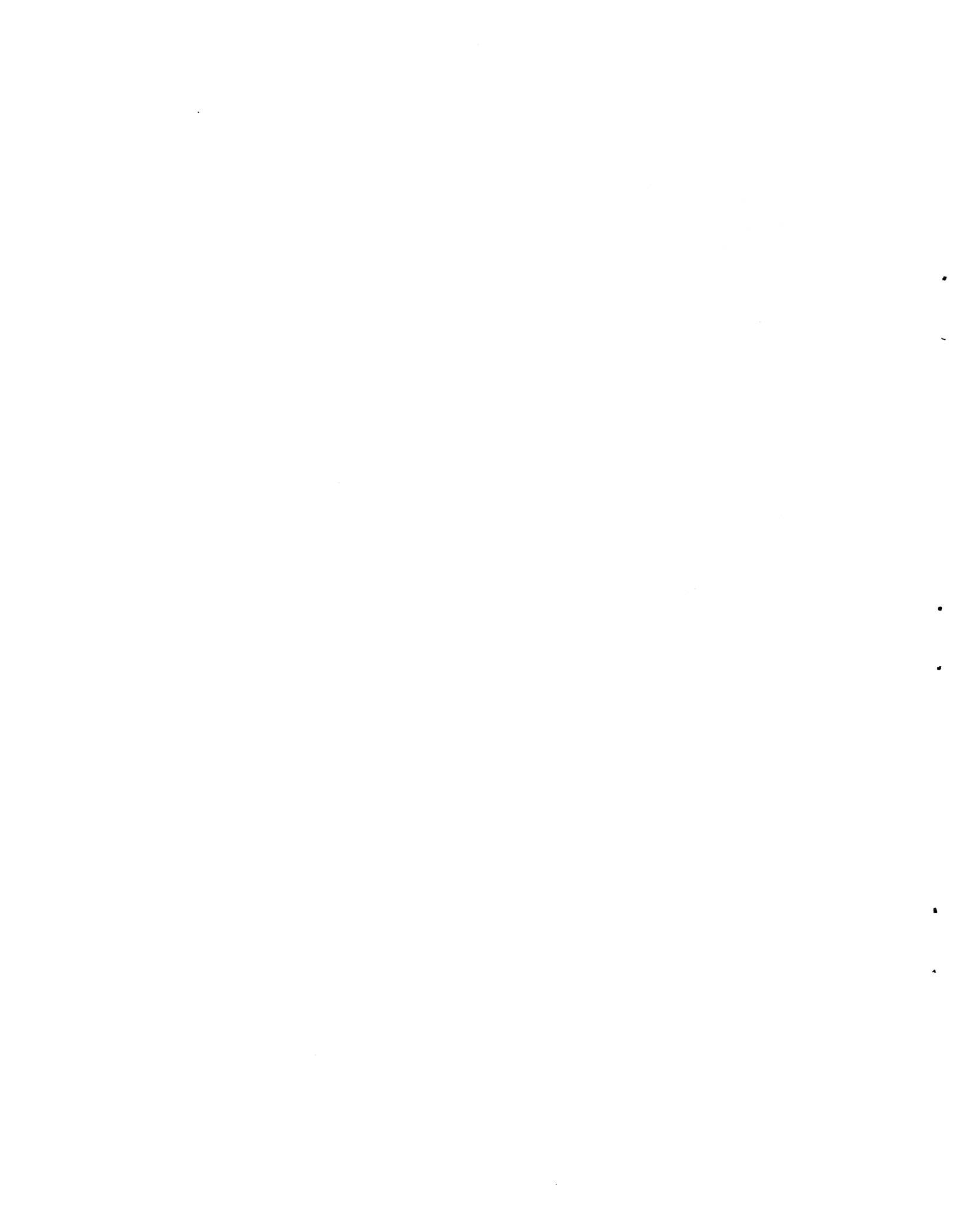
ALSO:

Wayne Dumont, Jr., Senator
J. Edward Crabel, Senator
Milton A. Waldor, Senator
Gerardo L. DelTufo, Senator

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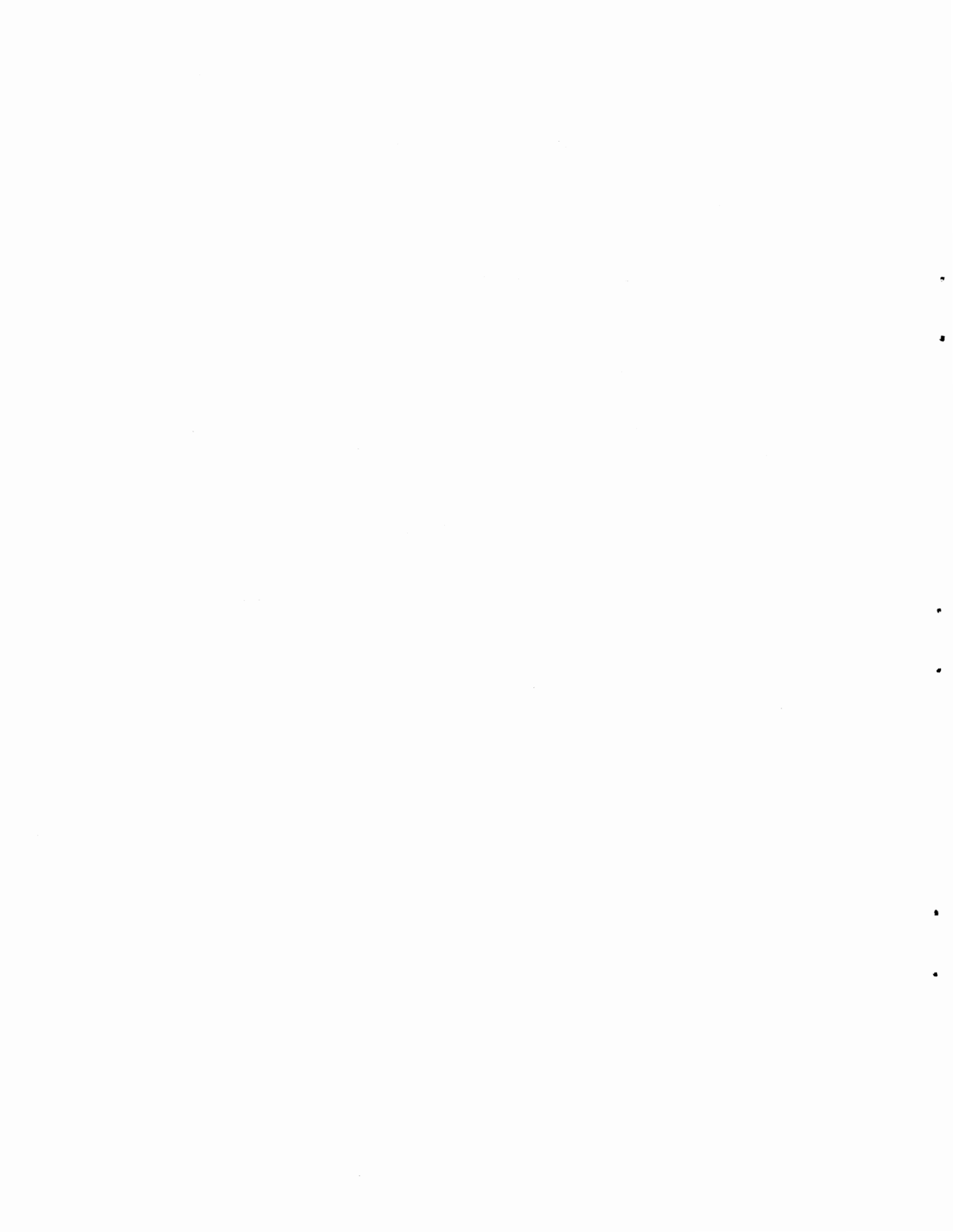
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ASSEMBLYMAN RICHARD W. DE KORTE [Chairman]: Ladies and gentlemen, may we have some order in the Chamber. Take seats or otherwise get yourselves comfortable and quiet.

There being a quorum of the members of the Assembly Taxation Committee present, I will call into order this hearing which is to be a hearing on Bill Number A 416. Sitting with the Assembly Taxation Committee today are the members of the Senate Taxation Committee who have been invited to attend and invited to participate in as full a fashion as if this were a hearing before the Joint Senate and Assembly Committee. Senator Waldor on my right is the Chairman of the Senate Taxation Committee and I am sure he and the other Senators will feel free to participate.

We have a rather lengthy list of witnesses, people who have signed in. I would ask in the first instance for as much brevity as the witnesses feel themselves capable of. I hope that the legislators will show an equal restraint.

With that preface, I call as the first witness Joseph McCrane, the State Treasurer of New Jersey.

J O S E P H M c C R A N E: Mr. Chairman and members of the Committee:

My name is Joseph McCrane and, as you know, I'm the new state treasurer. I'm appearing here today in support of Assembly Bill 416 which is part of Governor William T. Cahill's revenue-raising proposal. I don't think it's an exaggeration to say that New Jersey is faced with a fiscal crisis - a fiscal crisis which Governor Cahill and this administration inherited and over which it had no control.

The members of my staff have figures that New Jersey faces approximately \$300 million budget gap as we head toward fiscal 1970-71. There are several reasons for this budget gap. One reason is that we face the cost of financing new and existing programs which will exceed \$200 million although no provision has been made for their financing. We're talking now of programs like aid to the cities, medicaid, school aid and other programs which the people of New Jersey want -- and need -- and deserve to have.

There are other reasons for this budget gap. In the current fiscal year, we had appropriations of \$1,354,614,000 which were \$98 million more than we had in anticipated revenue and in order to balance the budget it was necessary to use surplus. In short, we are spending more than we are receiving.

You will recall that the legislature in 1967 accelerated corporate taxes to produce 25 per cent more revenue in each of the fiscal years of 1969 and 1970. When that program, which is a "one shot" accomplishment, is completed the annual take from corporate taxes would revert to an annual amount. This results in the reduction of revenues for 1970-71 of approximately \$50 million.

The medicaid program, for example, will cost the state an additional \$50 million for a total of \$83 million in 1970-71; aid to dependent children will cost an added \$25 million; aid to education costs another \$44 million. These are programs to which we are committed and for which we must find funds. I have included with my statement a breakdown of the \$300 million which we must obtain.

There are several ways, of course, that we could obtain this money. There's the state income tax, substantial new or increased excise taxes, drastic reduction of state expenditures or an increase in the sales tax. Let's take a look at each of them.

There was an attempt to pass a graduated income tax in this state only three short years ago and it failed. It failed dramatically because the people of the state objected -- and objected strenuously. In all candor, I don't think there are enough legislative votes today to pass an income tax. I think they have heard the voice of the people back home and would not vote for an income tax.

Excise taxes? We already have taxes on cigarettes, motor fuel, liquor, and virtually all the other little luxuries of life. It is extremely doubtful that we could raise enough money by any combination of new excise taxes or increasing existing ones to meet the deficit we face at this time.

We feel strongly that given sufficient time we can reduce some state expenditures, but I would be leading you into a fool's paradise if I said that we could cut \$300 million from the budget. I have it on the best authority in both the legislative and executive branches that this is an impossibility.

That leaves us with two alternatives: we can stop vital programs, cut back on state aid to education, stop the medicaid program, forget about mental health, close the colleges and turn our back on the people in the cities.

Unless we're willing to do that we must face up to a sales tax increase. By adding two cents to the state sales tax, we can produce approximately \$200 million annually. This would effectively eliminate most of the deficit which we now face and would not put New Jersey at an economic or business disadvantage with neighboring New York City or Pennsylvania, both of which already have higher sales taxes than we are proposing.

To bridge the rest of the budget gap, we propose to eliminate certain exemptions from the present state sales tax. We are dropping the exemption on machinery and equipment used in manufacturing, and we will raise an estimated \$29.6 million. This does not put us out of line with other states, and I will be glad to submit to you a list of 25 other states which are presently taxing machinery and equipment.

We also propose to eliminate the exemption on advertising, and we anticipate that this will yield more than \$10 million. Again, I'd like to point out to the committee that most other states already are taxing advertising.

The decision to remove these exemptions was not easily arrived at by Gov. Cahill and other members of his administration. But, in the final analysis, it was decided that this was a more fair method than to simply hit the "little guy" in the pocketbook again by removing exemptions on food or clothing.

New Jersey business will still be competitive when these exemptions are removed. Our corporate franchise tax, for example, is still more attractive to industry than the comparable tax in Connecticut, New York or Pennsylvania.

The final portion of Gov. Cahill's program is a doubling of the bank stock tax and a doubling of the financial business tax on small loan and finance companies. The first year's yield on these taxes will net the state approximately \$9 million.

Our purpose is not simply to tax and tax endlessly. Gov. Cahill is pledged to economy in government. He has already imposed a freeze on filling job vacancies and has put a ban on unauthorized and unnecessary out-of-state travel. He has called for

a general review of all state capital construction plans and has authorized an efficiency and economy in government study. These are just a few of the more dramatic ones. Others are being studied and will be implemented soon.

We go even one step further. I can pledge to you here today on Gov. Cahill's behalf that we will call together a blue ribbon commission to bring forth a major tax reform proposal. We are preparing right now for such a program but a major tax reform takes time. At the barest minimum, it will be six months; more likely a year at least before the recommendations of any tax commission can be implemented. And we simply can't wait six months or a year or two years or whatever it takes. We are bound by a constitutional requirement that we present a balanced budget and we must have \$300 million immediately in order to do that.

There is a desperate urgency to implement this program. Every day that passes that we fail to collect this tax means the loss of millions of dollars which we need to keep the medicaid program going to help the local school district, to finance the state institutions for the care and treatment of the mentally ill and retarded. We need this money desperately to meet our obligations to the people of the state of New Jersey.

Thank you.

ESTIMATED SIGNIFICANT INCREASES
IN 1970-71 BUDGET

STATE AID

Welfare:

Medicaid	\$ 50.0	
Aid to Dependent Children	25.2	
Community Mental Health	1.8	
County Mental Hospitals	1.7	
	<u>78.7</u>	
Less: Net savings in other welfare programs	<u>- 5.7</u>	\$ 73.0

Education:

Formula Aid	20.3	
County Colleges	11.0	
Library Aid	1.0	
Teachers Pension Fund	12.0	44.3
	<u>44.3</u>	

Health:

4.0

Local Government (Save Harmless):

Property Tax Replacement	7.3	
Railroad Tax Replacement	2.0	9.3
	<u>9.3</u>	

All Other:

.9

Total State Aid \$131.5

GENERAL STATE OPERATIONS

Law and Public Safety:

State Police:

New communications system	.5	
Additional non-police personnel	.4	
Operation of new regional laboratories	.2	

Motor Vehicle Division:

Reflectorized license plates	1.0	
Liability insurance and all other programs	1.5	3.6
	<u>3.6</u>	

Public Utilities:

Public Broadcasting 2.5

Labor and Industry:

WIN and other manpower programs	3.0	
Rehabilitation	.8	3.8
	<u>3.8</u>	

Higher Education:

5,640 additional full-time equivalent students at Rutgers, the State Colleges, and Newark College of Engineering	12.0	
College of Medicine and Dentistry	1.5	
New Colleges	1.0	
Educational Opportunity Grants	3.0	
Scholarships	<u>4.0</u>	21.5

Institutions and Agencies:

Medicaid Administration	4.0	
Public Defender	2.0	
Children's Services	3.5	
Care of the mentally retarded	<u>3.0</u>	12.5

Treasury:

Pensions and employee benefits	12.5	
Rent	2.5	
Salary program and normal increments	<u>37.0</u>	52.0

Inflated costs of purchased supplies
and services:5.0

Total General State Operations

\$100.9CAPITAL

Martland Hospital	4.0	
Debt service and all other	<u>2.4</u>	6.4

Total Capital

\$ 6.4

Contingencies and all other increases

20.0Adjustment for increase over 1969-70
net appropriations after lapse10.0

Total Net Expenditure Increase

\$268.8

January 28, 1970

Gentlemen, I have Mr. Walter Wechsler, the Deputy Budget and Accounting Director, here with me. Between both of us, we will try to field some of your questions.

ASSEMBLYMAN DE KORTE: Thank you, Mr. McCrane.

Gentlemen, are there any questions of the State Treasurer? Senator Dumont.

SENATOR DUMONT: Mr. McCrane, have you taken into consideration the fact if we go to 5 per cent in New Jersey, we are very likely to discourage a very heavy volume of purchasing that is done now by residents of Pennsylvania and New York State within New Jersey. In other words, you estimate here that this increase in the state sales tax from 3 cents to 5 cents on the dollar would produce about \$200 million annually. But if my recollection is right, even with the 3 cents, we haven't produced \$100 million per penny yet in the state up to this time. Is that right or wrong? In other words, have we at any time, including the last fiscal year, realized \$300 million from the sales tax based on a 3 per cent sales tax?

MR. MC CRANE: Senator Dumont, I would like to refer that question to Mr. Glaser or --

SENATOR DUMONT: -- Mr. Wechsler.

MR. MC CRANE: Yes.

MR. WALTER WECHSLER: Right now, Senator, we are estimating \$95 million a penny for the current year.

SENATOR DUMONT: Now let me continue on this then. You are estimating that for the new fiscal year --

MR. WECHSLER: For the current year.

SENATOR DUMONT: -- for the current year. What are you

estimating for the new fiscal year, \$100 million per penny?

MR. WECHSLER: \$103 million per penny.

SENATOR DUMONT: Suppose I were to tell you, Mr. Wechsler, and I am sure you are well aware of this, that probably 20 to 25 per cent of the volume of purchasing done in the counties bordering on the Delaware River across from Pennsylvania is done by out-of-state people who buy in New Jersey. Do you still estimate that you are going to get \$100 million per penny or \$103 million per penny if the tax were raised to 5 cents on the dollar?

MR. WECHSLER: I might answer it, sir, in a slightly different context, pointing out that our estimates for next year have not fully discounted the possibility of a levelling off in the economy. And in the figures that we have prepared, we are suggesting, therefore, that the surplus be raised somewhat to cushion us against a fall-off.

SENATOR DUMONT: Let me get back to this point: If the difference between Pennsylvania and New Jersey is only 1 cent on the dollar and if the difference between New York City and New Jersey is only 1 cent on the dollar, don't you think that that is going to effectively discourage Pennsylvanians and New Yorkers who now buy in New Jersey from continuing to buy here because it wouldn't even pay for their gasoline or their tolls to come across the river?

MR. WECHSLER: Senator, Mr. Glaser, the Acting Director of Taxation, may have some more on that point.

MR. SIDNEY GLASER: I would like to point out that in New York, for example, clothing is subject to tax. I feel

under those circumstances, there would be no discouragement. But quite naturally as you close that gap in the rates between adjoining states, it is quite possible that you might lose some business. It is difficult to evaluate.

SENATOR DUMONT: Now let's take it in the reverse direction. The State of New York sales tax is at 3 cents outside of some of the major cities where there is also a city sales tax in addition to the state sales tax. Isn't it therefore going to encourage New Jerseyans who live in the northern tier of the counties in the state if we go to 5 cents on the dollar to do their purchasing in New York State instead of buying in New Jersey as they do today with 3 cents, equal to the New York State tax but not greater than?

MR. GLASER: Yes, they might very well do that, but under the law the New Jersey purchaser is still liable to pay a use tax. In other words, if the goods is shipped in interstate commerce, this purchaser is required to pay a tax and we are making efforts to enter into some arrangement with New York and Pennsylvania in order to assure the payments by the purchasers in the respective states.

SENATOR DUMONT: Well, Mr. Glaser, I am certainly not one to advocate at any time disobedience to any law, but I also think that we are practical enough to realize that this business of the use tax is more theoretical than practical when people buy outside the State.

MR. GLASER: Actually there are several mid-western states which have entered into voluntary agreements and I think there has been a great improvement in the compliance with the

laws of those states. I am referring to Illinois, Kentucky and the states which adjoin those states - Iowa, etc. They have had varying success. This is one of the efforts to which I think we must direct our attention. If the law requires the imposition of the use tax, I think it is incumbent upon the administration to do everything in its power to see to it that that use tax is effectively enforced.

SENATOR DUMONT: I agree with you. But having observed first hand the lack of observance of the Pennsylvania use tax by Pennsylvanians, some Pennsylvanians, at least, who purchase in New Jersey, I think it is going to take some real enforcement --

MR. GLASER: It will.

SENATOR DUMONT: [Continuing] -- to make the use tax work.

MR. GLASER: I think whenever you increase your rates and you bridge the gap, there is a possibility of the loss of revenue.

SENATOR DUMONT: Don't you think it would be better to raise the sales tax to 4 cents so you have a competitive advantage with respect to Pennsylvania and New York City particularly, that that way you would derive proportionately more revenue than by going to a point where you are going to get a diminishing return by raising it to 5 cents on the dollar?

MR. GLASER: Basically, this is really a budget question. I think it is a question of raising x number of dollars. I don't think you can do it if you just raise it by 1 cent.

SENATOR DUMONT: I would agree with you, that you have to raise x number of dollars. But I don't think the theory behind

this is going to raise that kind of money because of the diminishing returns that are going to be produced from the 5-cent tax.

MR. WECHSLER: Senator, there is a real point in what you just said. Our estimates for next year on the present 3-cent base, as I pointed out, are \$103 million per penny. Adding the 2 cents we believe will result in only \$100 million per penny for the next 2 cents. This is the way we have scaled it in anticipation of the possible loss because of that competitive factor.

SENATOR DUMONT: Well, I hope that you are right in what you predict by way of revenue, but personally I think you would be more accurate if you figured about \$90 million per penny by going to 5 cents than \$100 million. Therefore, I am deeply concerned on whether you are going to produce the kind of revenue you think on this basis. Thank you very much.

SENATOR DEL TUFO: Mr. Treasurer, it is said that \$300 million is needed to make up for the deficit. I notice in your statement you mention \$200 million to be picked up through the additional 2 cents and \$29.6 million to be picked up through equipment and \$10 million through advertising. That makes \$249 million plus. How do you expect to pick up the approximately \$50 million?

MR. MC CRANE: The bank stock tax was another item we included --

SENATOR DEL TUFO: Is that it?

MR. MC CRANE: -- at \$9 million.

MR. WECHSLER: In anticipation that the legislation

would become effective March 1, Senator, the aggregate that we would receive from the sources that you are all aware of --

SENATOR CRABIEL: Can you speak a little louder?

MR. WECHSLER: The aggregate that we would receive effective March 1 to June 30 from the respective sources would be \$81.7 million, which when added to the \$249 million which you just enumerated for the revenues expected next year would give us \$331 million. And the \$331 million versus the gap, estimated to be around \$270 or \$280 million in terms of actual expenditures will permit a \$50 million surplus or roughly 3 per cent of the total expenditure pattern, which is a fair, certainly conservative, estimate of revenue -- of surplus.

SENATOR DEL TUFO: Mr. Treasurer, you made mention that a Blue Ribbon Commission is to be appointed. Well, we already have a Tax Policy Commission which is made up of "blue ribbon" men, men with ability. Now is that Tax Policy Commission going to be abolished? I ask you that - I know it's a long question. If both are going to be in existence, both the Tax Policy Commission and your new Blue Ribbon Commission, wouldn't there be an overlapping of services and investigatory powers on the same question of taxes?

MR. MC CRANE: I don't believe it is the Governor's intention to have two groups doing the same thing. Frankly I am not that familiar with the nomenclature and existing committees so I can't properly address myself to your question because I am kind of new. But I know the intent is not to have two committees doing the same thing.

SENATOR DEL TUFO: What concerns me is for years we have had this Tax Policy Commission made up of great men, men with ability, and yet we have never legislated in line with their recommendations. That's the whole trouble.

Thank you, Mr. Chairman.

ASSEMBLYMAN DE KORTE: Senator Waldor.

SENATOR WALDOR: Mr. Wechsler, through you, Mr. Treasurer, in reference to the figures given by Senator Dumont, it is my impression - and I hope you will correct me if I am wrong - there are no figures that you have available to you, are there, that indicate that some 25 per cent of the revenues presently collected under the 3 per cent sales tax arise as a result of purchases made within the State of New Jersey from out-of-state residents?

MR. WECHSLER: I would, please, like to refer this to the Tax Director.

SENATOR WALDOR: Mr. Glaser, you don't have any such figures?

MR. GLASER: No, sir, I don't believe we do.

SENATOR WALDOR: So, in other words - I am not questioning the figure given by Senator Dumont, but I think it should be made perfectly clear that the 25 per cent figure that he uses and upon which he bases his reasoning of a lessened anticipated income on the next 2 cents is basic speculative and there is no substantiation based on actual facts or figures that your department or your division has that would corroborate a 25 per cent figure or any per cent figure for that matter, is there?

MR. GLASER: No, sir. We might have some figures on

what the use tax would bring.

SENATOR WALDOR: I understand. I am not referring to that.

MR. GLASER: But not the specifics which you refer to.

SENATOR WALDOR: Thank you.

ASSEMBLYMAN DE KORTE: Assemblyman Fiore.

ASSEMBLYMAN FIORE: Mr. McCrane, I see you have here regarding advertising a yield of \$10 million. Is that all forms of advertising?

MR. MC CRANE: I am not quite sure what you mean by "all forms"?

ASSEMBLYMAN FIORE: In other words, I understand that magazines and newspapers would be eliminated from this. Now I would like to know what led you people to the conclusion of eliminating magazines and newspapers in regard to advertising.

MR. GLASER: In arriving at these figures, we took some national figures.

ASSEMBLYMAN FIORE: Excuse me. Are you talking about the figure that is hear, the \$10 million?

MR. GLASER: I am directing my remarks with respect to the \$10 million. We took national figures which were available and we made certain adjustments based upon activity in New Jersey, population and other factors, and we came to the conclusion - these were broad brush figures - but we feel confident that they are approximately correct and we did make allowance for the newspaper and magazine advertising.

ASSEMBLYMAN FIORE: You made allowance for newspaper and magazine advertising. If you were to include magazines and

newspapers, what would this figure be? Do you have any idea?

MR. GLAZER: You see, under the present sales tax law there are many advertising materials which are specifically exempt. This is set forth in Section 8(v) of the law, and also in 8(r), I believe it is; the sales of tapes and other advertising materials, when used for advertising purposes, will now be subject to tax. These previously under present law, I should say, are exempt. So there are all sorts of catalogs and handbills and other advertising materials which would become subject to tax.

ASSEMBLYMAN FIORE: Well, wouldn't it be a little discriminatory to tax a man on a billboard but not tax him on any other form of advertising, such as newspaper or magazine? It is still for the purpose of building up sales. The advertisement is for the primary purpose of getting people to know what he is selling and what it costs and whether it be a billboard or a magazine or a newspaper, it is still a form of advertising.

MR. GLASER: It may be, but traditionally --

ASSEMBLYMAN FIORE: Mainly I think it is.

MR. GLASER: I think the question of discrimination is a legal question. I would agree that there is a different treatment given. In many states there seems to be a great deal of solicitude for the newspapers and in many cases, even in our own sales tax, the sales of newspapers and magazines - periodicals - are exempt. So I think it sort of just follows this sort of solicitude that probably has some origin in the fact there should be a free and open discussion and there should not be any restraint or restriction on newspapers and magazines and that

type of media.

ASSEMBLYMAN FIORE: Thank you.

ASSEMBLYMAN DE KORTE: Senator Crabiel.

SENATOR CRABIEL: Mr. Treasurer, you talk about a budget gap. I ask you is the present budget in balance?

MR. MC CRANE: The one that ends in June of 1970?

SENATOR CRABIEL: Yes.

MR. MC CRANE: It is.

SENATOR CRABIEL: Very well. In the third paragraph of your statement, you say: "In short, we are spending more than we are receiving." Then you go on to recommend to us that we do the same thing on a much larger magnitude next year. You have testified that you are asking to have the sales tax accelerated to receive \$81 million. How do you propose to overcome the budget gap next year?

MR. MC CRANE: We would hope that we wouldn't have one next year.

SENATOR CRABIEL: Well, if you collect \$81 million worth of money additional out of the sales tax this year and balance your budget and you will not have that \$81 million available next year out of the regular revenues, please explain to me how you are going to solve the \$81 million gap?

MR. WECHSLER: Senator, the amount that we believe will come out of this package of bills from the period March 1, 1970, to the end of the next fiscal year, June 30, 1971, is \$331 million. Of that sum, we need approximately \$270 to \$280 million to balance the budget beginning this July 1. That would leave a surplus of roughly \$50 million - \$60 million

perhaps. The normal growth of revenues that we can predict in the fiscal year which would begin in July of 1971 might run \$75 to \$100 million. With that package aggregating roughly \$125 to \$150 million, we would hope that it will be adequate for the requirements of that fiscal year.

SENATOR CRABIEL: Mr. Treasurer, do I understand now that you don't need \$300 million, you only need \$280 million and we are putting this tax in to create a surplus so we will have a surplus in future years? Is that what we are doing?

MR. MC CRANE: No, sir.

SENATOR CRABIEL: That's what the man just testified to. Will you please explain to me exactly what type of revenue is needed for the budget you are proposing to present for the fiscal year '70 to '71?

MR. MC CRANE: First of all, starting off addressing ourselves to the total budget of approximately \$1.6 billion, the amount physically and literally needed is approximately \$270 million, but within the total amount of the over-all State budget, it is obvious that you have to have, unless you are a real good crystal-ball gazer, some contingencies built in here or allowances for economic conditions in our State. The \$300 million would produce approximately a \$30 million surplus, which is a very, very small surplus in a business this size.

SENATOR CRABIEL: That is the first time I have heard the statement that it proposed to produce a surplus. All right. In other words ---

MR. MC CRANE: We are not trying to create a surplus. It is just a normal surplus which the State requires and in

checking back since 1965, I believe the State has always had a surplus of not less than \$30 million. So on a total budget of \$1.6 billion, this is less than 3 per cent.

SENATOR CRABIEL: Wouldn't it be more prudent to follow accepted practice in that the Governor present a budget to the Legislature and at that time present a method of financing the budget he proposes so that the Legislature has before it the complete budget, what is proposed to be spent, so they know the facts?

MR. MC CRANE: We have the facts as we can best guesstimate them now. However, the calendar starts to play a role in this in terms of implementing this program by March 1. It plays a pretty important part, practically one-third of a year, in reaching these figures.

SENATOR CRABIEL: Mr. Treasurer, what has March 1 got to do with it? I thought you just testified that the budget is in balance until June 30th and we have until July 1 of this year to pass an appropriations measure and a revenue-raising measure. What has March 1 got to do with it?

MR. WECHSLER: Senator, if we wait beyond March 1, then the projection of yield totalling \$331 million, beginning March 1, will fall and to that extent, we would then have less surplus to balance the requirements for the future.

SENATOR CRABIEL: I am aware of that. That's exactly what you say in your statement. We are spending more than we are receiving. But you are continuing to do the same thing that was done last year, Mr. Treasurer, exactly the same thing, in that you are continuing to do the same thing and we

are going to move forward this budget crisis again to the next fiscal year.

MR. MC CRANE: A considerable portion of these programs were committed or mandated last year to be spent this year and now we have to come up with the money to follow through on them, Medicaid being one.

SENATOR CRABIEL: I am aware of that.

Does the administration propose at any time in the foreseeable future to come back and ask for a sales tax on clothing?

MR. MC CRANE: To my knowledge, no, sir.

SENATOR CRABIEL: Does the administration propose in the foreseeable future to come back and ask for a sales tax on food?

MR. MC CRANE: To my knowledge, no, sir.

SENATOR CRABIEL: Does the administration propose in the foreseeable future to come back and ask for a sales tax on drugs --

MR. MC CRANE: To my knowledge, no, sir.

SENATOR CRABIEL: -- prescriptions?

You have suggested a Blue Ribbon Commission. One of my colleagues here has questioned you concerning that Blue Ribbon Commission. First of all, what is your conception of the proper size and makeup of such a Commission?

MR. MC CRANE: Frankly I wouldn't want to venture too far in the definition of what size a Commission should be, frankly because I haven't had too much experience in that area. But basically speaking, my presumption would be the Commission

would be made up of representative members of all phases of our economic life here in the State and relatively speaking a fairly small group, perhaps increased by special outside groups that would direct their attention to specific areas, but a working nucleus of a fairly small committee.

SENATOR CRABIEL: You are thinking then in terms of a committee the size of the present State Tax Policy Commission which I believe has a membership of five or six or seven.

SENATOR DUMONT: Seven.

MR. MC CRANE: Yes, sir.

SENATOR CRABIEL: That is what you are thinking of, not in terms of a commission similar to Governor Hughes' Commission on Civil Disorders in Newark or his Commission on the Salary Scales of State Employees, which was operating in the last several years. That was a commission much larger than the Tax Policy Commission. You favor the small commission?

MR. MC CRANE: Yes, sir.

SENATOR CRABIEL: Would you think that a small commission would be able to do anything excepting what was alluded to by one of my colleagues, that it would file a report. Would you think that a small commission would get the support of the Legislature and the Executive to have its recommendations enacted?

MR. MC CRANE: I would hope so, sir.

SENATOR CRABIEL: You state in your testimony that it takes six months or a year for these recommendations. On what do you base that?

MR. MC CRANE: I think basically on the length of time

it apparently takes to get anything done these days frankly. By the time the study is made, the analysis and the recommendations put in, I think six months is a fairly conservative figure.

SENATOR CRABIEL: Well, I call your attention to the fact that the Constitutional Convention did their job in, I think, 90 days. I think the Viator Committee did its job in a relatively short time. I just can't understand this pessimism that the Blue Ribbon Commission, which on the basis of it are top-flight people, wouldn't be able to do this job in a shorter time.

MR. MC CRANE: Certainly every effort would be made to try and accomplish it in a shorter time.

SENATOR CRABIEL: Wouldn't it be better in any commission that you had to have representation from the Legislature?

MR. MC CRANE: Yes, sir.

SENATOR CRABIEL: Well, that would automatically make the commission bigger than you are talking about then.

MR. MC CRANE: In other words, I certainly don't want to get hung on whether it has 6 people or 8 people or 9. I think you can argue that both ways. The main thing is that you have the quality and know-how within the committee to get the job done; whether it takes 6 or 8 or 9, I think is somewhat academic. A large committee I would estimate would be 25 to 30, for example, or 40 people.

SENATOR CRABIEL: Do you sincerely believe that a commission of that size would be able to swing the weight of public opinion behind any proposal?

MR. MC CRANE: Well, I think the committee would be charged primarily with coming back with their recommendations

on tax reform. Whether or not it would be their responsibility to, as you say, sell the public on it is a question.

SENATOR CRABIEL: What, sir, is your conception of what major tax reform would be?

MR. MC CRANE: I think I'd rather not commit myself on that because I just haven't thought it through that far and frankly am not that familiar with it.

SENATOR CRABIEL: Well, in your opinion would tax reform encompass consideration of reduction of real estate taxes to the homeowner?

MR. MC CRANE: I believe that would be one of the primary objectives, to try to lessen the burden on the homeowner.

SENATOR CRABIEL: In your opinion would tax reform constitute consideration of an alternate broad-base tax?

MR. MC CRANE: I believe it would have to, sir.

SENATOR CRABIEL: In your opinion would tax reform constitute consideration of classification of properties for the purposes of taxes?

MR. MC CRANE: I have no opinion on that, sir.

SENATOR CRABIEL: Well, my concern is, Mr. Treasurer, that we are putting the cart before the horse and that we are attempting to tax our people and get a lot of additional money without telling them two things: one, where we are going to spend the money - what programs we propose to spend it on - and then we hold out to them a carrot here that we will consider tax reform. But my concern is: How can you reform taxes when you get taxes so high that it is almost impossible to reform them?

MR. MC CRANE: Actually, sir, the commitments of a good

portion of this budget gap are here and were put here by decisions made last year.

SENATOR CRABIEL: Well, as I see it though, you are continuing that same budget gap. You are not proposing to put this tax into effect on July 1st. That would be a proper proposal, to do that. But you are in effect saying: Let's get a one-shot tax again. Let's get money from March until the 1st of July, with no possibility of getting that money back next year, other than as was testified by the Budget Director as partial increase in normal growth. I have great respect for his ability, but I challenge those figures that he used for the normal growth. I think they are too high, but that is another subject.

My real concern here is asking the people to pay in advance before we have even looked at what the administration and the Legislature are willing to support in the way of programs.

MR. MC CRANE: This budget contemplates no new programs, but primarily living up to the financial commitments that were mandated previously.

SENATOR CRABIEL: All right. That leads me to another question. I read in the press that the Governor met with the Essex County delegation and, as quoted in the press, they said that they might consider supporting this program because they had been assured additional moneys for the City of Newark. That's almost a quote, unquote, that's in the morning paper. I ask you if your proposal as it is before us provides any new programs to the best of your knowledge.

SENATOR WALDOR: Excuse me. You talked about a meeting between the Governor and the Essex County Senate delegation and I was present and you are speaking now of a quotation that was in the press and I don't think the Treasurer, not being present at the meeting, is in a position to even answer that question and I'd like to answer it because I was there and he wasn't.

SENATOR CRABIEL: Senator, just a moment, I had the floor and you have a perfect right to come back and answer the question. I did not attribute to the Treasurer this. I said it was a press report. But I wanted to get him to say as far as the administration is concerned, there are no new programs in this budget and that's what he has said.

ASSEMBLYMAN DE KORTE: I think he has already said that.

SENATOR WALDOR: That's exactly what he said.

SENATOR CRABIEL: He said that. That's right. Now I would also like to ask you, sir, this: I also read in the same article that he met with the members of the Middlesex delegation and the Middlesex delegation was assured that there would be tax reform and my question again is: From your knowledge, do you have any specific knowledge of what this supposed tax reform is to be?

MR. MC CRANE: No, sir.

SENATOR CRABIEL: On the bank stock tax -- Mr. Chairman, is that a proper question. The Treasurer has raised it. However, that is not the function of this hearing.

ASSEMBLYMAN DE KORTE: It is not a function of this hearing. Senator, you and I both attended a very lengthy hearing

on the bank stock tax in the past. I don't know whether you have any new questions, but it certainly is irrelevant to the bill that we are considering here.

SENATOR CRABIEL: I realize that. But I thought because we had the Treasurer who is responsible for the fiscal program in the administration, I would like --- The hearings we held on the bank stock tax, sir, were based on the administrative view of Governor Hughes. I wanted to develop as to whether the administrative view of Governor Cahill is the same as Governor Hughes. To that point, I think my question is relevant because he has raised it in his statement.

ASSEMBLYMAN DE KORTE: I don't believe he has raised it in his statement at all.

SENATOR DUMONT: Yes, he has, right here on page 4, the second paragraph.

SENATOR CRABIEL: I quote to you, Mr. Chairman, "The final portion of Governor Cahill's program is doubling of the bank stock tax and a doubling of the financial business tax on small loan and finance companies. The first year's yield on these taxes will net the state \$9 million," and it is part of his package that he is saying he needs to balance his budget.

ASSEMBLYMAN DE KORTE: Senator, I will permit you to ask a couple of questions within this area. I ask you to restrain yourself because we do have 27 witnesses at the moment who want to testify on the sales tax bill. So if you can confine yourself, go ahead.

SENATOR CRABIEL: Very well. Thank you. Governor Hughes in proposing the bank tax proposed that all of the revenue go

back to the municipalities and counties. Do I understand the proposal of Governor Cahill is for the State to keep the revenue?

MR. MC CRANE: Yes, sir.

ASSEMBLYMAN DE KORTE: May I add or clarify that it is the increased revenue. That portion of the revenue the towns are already getting and the counties are already getting will continue to go to them under the bill as drawn.

MR. MC CRANE: That is correct.

SENATOR CRABIEL: One other question, Mr. Treasurer, what is your position or the position of the administration as to why, if the bank stock tax is to be increased -- why the tax should not be placed on savings banks as well as commercial banks?

MR. MC CRANE: Very frankly, I am studying both the savings banks and the mutual banks as to why they haven't been in the past and why they shouldn't be now.

SENATOR CRABIEL: I have missed the answer to your question. You say you are studying it?

MR. MC CRANE: The question you posed is the same question I posed to myself and as recently as yesterday received information from Mr. Glaser about the historical reasons why mutual banks and/or savings and loans have not been part of the tax program in the State.

SENATOR CRABIEL: Then it is possible that a further recommendation might come from you in this field.

MR. MC CRANE: Yes, sir.

SENATOR CRABIEL: Very well.

ASSEMBLYMAN DE KORTE: Assemblyman --

ASSEMBLYMAN FLORIO: Mr. Treasurer, this commission that you propose. How fast do you think this will get into operation?

MR. MC CRANE: I would like to believe that we would have --- Very frankly, there are certain priorities that physically have to be done. I just found my way to Trenton, like, Monday, so there are other priorities that have to be decided in my office and in the Governor's Office. But I would certainly rate the appointment and organization of this committee as having a very high priority and would hope that something positive would be done on it within the next three weeks or four weeks.

ASSEMBLYMAN FLORIO: Would you see one of the roles of this Commission as gathering the data, the presentation of statistics and information that we will need to get into an accurate presentation of what is required by the State?

MR. MC CRANE: Yes, sir.

ASSEMBLYMAN FLORIO: I put into question some of the figures you have placed before us, for example, the bank stock tax. Now you said \$9 million to be realized. Last year the proposal was made for a tripling rather than a doubling and the projections then were \$30 to \$35 million, a rather substantial difference.

ASSEMBLYMAN DE KORTE: If you will, Assemblyman, just pause there for a moment, those projected figures of \$35 million are again anticipated implementation of that tax before the beginning of a fiscal year so that we could grab a little revenue before the fiscal year started and that is how you built it up to \$35 million.

ASSEMBLYMAN FLORIO: Again this is what should be presented to us. We are the representatives of the people of this State. We are being asked to legislate a rather substantial and burdensome tax on the people of this State in a vacuum. The figures you presented in regard to the advertising-printing accounts - the figures of the United States Department of Commerce indicate 30 per cent of all commercial printing in this State is advertising. The figures that they present as to the total volume of commercial printing - \$367 million - 30 per cent of that is \$110 million. Applying the 5 per cent tax to the \$110 million, you come to a figure of \$5.5 million rather than the \$10 million that you projected. The point I am attempting to make is that you are talking in terms of painting the picture with a broad brush. You use the term "guesstimates." Don't you think we should have some statistical data and perhaps we should have a more lengthy hearing? The sense of urgency when we are dealing with a tax of this sort is not such that we should hurry into something not knowing what we are doing.

MR. MC CRANE: The question that you address yourself to, I would like to have an opportunity to answer, if I could. Do you want to talk about that, Mr. Glaser?

MR. GLASER: I think with respect to the question of advertising, in the proposed bill, there is a section that would impose a tax on certain advertising services in addition to the sale of tangible personal property, and generally advertising services constitute a substantial proportion of the charges by advertising agencies when you relate the amount of services to

the amount of tangible personal property which is sold. I think that may account for at least most of the difference between your estimate of \$5.5 million and the estimate that we have made of approximately \$10 million.

ASSEMBLYMAN DE KORTE: Do you want to rephrase your other question, Assemblyman, or rather --

ASSEMBLYMAN FLORIO: The question essentially is that the sense of urgency, I don't feel, should force us into a position of legislating on these matters dealing with guesstimates.

ASSEMBLYMAN DE KORTE: If you can phrase that as a question, perhaps it can be answered. As you phrase it, it isn't a question.

ASSEMBLYMAN FLORIO: Can we use another month - will another month provide us with some statistical data rather than guesstimates which prove to be totally an unworkable situation in terms of the budget?

MR. MC CRANE: I think "guesstimate" is a little bit of an unfair word.

ASSEMBLYMAN FLORIO: It was yours.

ASSEMBLYMAN DE KORTE: Not in the context of the revenue to be raised.

MR. MC CRANE: In my opinion the people who prepared these figures have been applying themselves over quite a period of time. It is their best estimate as it would be in any budget. They have done their homework as to how they arrived at these figures and I think you can be satisfied and they are open and available to you as to how they arrived at them in any detail or

depth that you might like.

ASSEMBLYMAN DORGAN: Mr. Budget Director, I would like to get this point that the Senator raised clear in my mind as to the surplus on both of these budgets. Now as I understand the situation, the existing budget, our present budget, is in balance and by 16 months of these programs, we will appreciate an additional \$331 million in revenue. I also thought I heard you say that we will have a \$280 million deficit in the 1970-71 budget and I see \$248.8 million for additional expenditures for next year. So could I please have clarified about this \$30 million surplus? It looks more like \$50 million to me the way I read it.

MR. WECHSLER: Yes, sir. In the current fiscal year, our revenues will be approximately \$1,272,000,000. The appropriations are \$1,355,000,000 round figures. So you see there is a budget gap right there of some 80 odd million dollars, an actual gap between outgo and income. Were it not for the fact that surplus had accumulated from prior years in the total of \$126 million, we would not be able to have balanced this budget and the Constitution requires that.

ASSEMBLYMAN DORGAN: I understand that. But you will have no deficit June 30th without any increases, is that right, and you will have no surplus?

MR. WECHSLER: We will have a surplus this June 30th.

ASSEMBLYMAN DORGAN: Of about how much?

MR. WECHSLER: Of approximately \$47 million after applying some \$6 million worth of supplementals which we believe will probably be enacted. So we begin next fiscal year with \$47 million

in surplus carried over. Now our revenue estimates for next year total \$1,285,000,000. When you add both the beginning surplus and that revenue estimate, you get a total of \$1,332,000,000. Our budget requirements next year appear to be in the sum of \$1,613,000,000, which includes the \$270 million and that contingency item might be increased by ten, so that we will have a total of \$280 million. But in any event, if the budget requirements next year are going to be \$1,613,000,000 and we will only have \$1,332,000,000 on hand, we will be short some \$280 million, just to come out even. The \$331 million yield will give us a total of about \$50 million in surplus.

ASSEMBLYMAN DORGAN: I thought I heard someone say earlier it would be around a \$30 million surplus? Is it \$50 million?

MR. WECHSLER: -- with the estimate of the \$331 million, sir.

ASSEMBLYMAN DE KORTE: Mr. Wechsler, to the extent that your \$103 million per penny projections are a little ambitious, that surplus will be eroded, I guess.

MR. WECHSLER: Yes, sir. Of course, \$103 million is based on 3 cents and when you go to 5, we believe that the next 2 cents might cause some attrition.

ASSEMBLYMAN DE KORTE: But you are projecting in this program approximately what per penny on the next 2 cents?

MR. WECHSLER: On the next 2 cents, \$100 million.

ASSEMBLYMAN DE KORTE: \$100 million. And to the extent that that estimate is a little overly ambitious, your surplus or projected surplus ---

MR. WECHSLER: If it is, then our surplus will wane, right.

ASSEMBLYMAN DE KORTE: Mr. McCrane, from what you say the administration does recognize the need for tax reform.

MR. MC CRANE: Yes, sir.

ASSEMBLYMAN DE KORTE: And the vehicle that the administration proposes to accomplish this is some sort of a Blue Ribbon Commission.

MR. MC CRANE: Correct.

ASSEMBLYMAN DE KORTE: In the judgment of the administration and in your judgment will the tax program which you now recommend give us adequate time to conduct tax reform measures that may be recommended by such a commission?

MR. MC CRANE: Yes, sir.

SENATOR CRABIEL: Mr. Chairman, --

ASSEMBLYMAN DE KORTE: Yes, sir, Senator Crabiel.

SENATOR CRABIEL: To clarify my own thinking with respect to a question that Mr. Wechsler just raised, do I understand that the total budgeted appropriations for this current year that we are in are \$1,350,000,000?

MR. WECHSLER: Roughly. Right.

SENATOR CRABIEL: And did you testify through Mr. McCrane that the proposed budget for the coming fiscal year is \$1,613,000,000?

MR. WECHSLER: Yes, sir.

SENATOR CRABIEL: That is \$262,000,000 more in one year, is that correct?

MR. WECHSLER: Actually it would be a little more than that.

SENATOR CRABIEL: \$262 million. Now, Mr. McCrane, could you just outline to us what that \$262 million is supposed to cover?

MR. MC CRANE: I believe it is on your back sheet there.

ASSEMBLYMAN DE KORTE: It is on the sheet attached to the statement.

SENATOR CRABIEL: I hadn't seen it. All right.

MR. WECHSLER: It begins with the page headed, "Estimated Significant Increase."

SENATOR CRABIEL: Very well. I'll study it. I haven't seen it.

ASSEMBLYMAN DE KORTE: Senator Dumont.

SENATOR DUMONT: Mr. McCrane, how much revenue are you anticipating from the lottery the next fiscal year?

MR. MC CRANE: I believe we have \$5 million.

MR. WECHSLER: \$5 million, yes, sir.

SENATOR DUMONT: Is there any definite date yet as to when it will start in the next fiscal year?

MR. MC CRANE: No, sir.

SENATOR DUMONT: You don't estimate more than \$5 million to be received from that.

MR. MC CRANE: No, sir.

SENATOR DUMONT: Now turning to this Blue Ribbon Commission that has been mentioned by Senator Del Tufo and Senator Crabiel, first I simply want to point out as a matter of background here how long the State Tax Policy Commission has been in existence. It is 25 years since it was created in 1945. It consists of seven members, five of whom are citizen members, so to speak,

- that's the way we often describe those outside the Legislature - and two legislators, one from each house. It also has a permanent staff and an appropriation made annually by the Legislature. In addition to that, it has rendered at least 12 or 13 reports on all major subjects of taxation in the State over those 25 years. My point here is, if you create a Blue Ribbon Commission, aren't you going to have to provide that Commission with some money in order to operate?

MR. MC CRANE: Yes, sir.

SENATOR DUMONT: Then aren't you going to be duplicating the appropriation that is made annually to the State Tax Policy Commission? You have indicated that you think there ought to be some legislators on the Blue Ribbon Commission. Certainly I would agree with that. But aren't you really going to be duplicating as to personnel and appropriations the tasks of the State Tax Policy Commission which has had the experience of 25 years and has a permanent staff and an annual appropriation?

MR. MC CRANE: I think your point is well taken. I believe it might very well be that the Blue Ribbon Commission would work with or as part of the Tax Policy Commission or supplement the Tax Policy Commission by additional members.

SENATOR DUMONT: Well, wouldn't it as one of its first tasks, as a matter of fact, be to go to the State Tax Policy Commission to assemble from that the information that has already been accumulated?

MR. MC CRANE: You certainly would want to capitalize on the work that has been done and the expertise that has been gathered within that Commission.

SENATOR DUMONT: I am not saying you are wrong or the Governor is in such a viewpoint. But I think you are going to be largely duplicating a commission that is already established and well established, as a matter of fact. Thank you.

SENATOR DEL TUFO: Is this commission to be appointed in order to bypass the cry for a tax convention?

MR. MC CRANE: No, sir.

ASSEMBLYMAN DE KORTE: Any further questions of the State Treasurer? If not, I am going to release you and thank you for coming, Mr. McCrane, Mr. Wechsler and Mr. Glaser. Thank you all for being here.

Assemblyman Goldfarb, please.

DAVID GOLDFARB: Mr. Chairman, my name is David Goldfarb. I am from Essex County. I am an Assemblyman.

I would like to present myself to you in this manner by telling you that I have initiated a survey among my constituents immediately following the inaugural address of the Governor. I am obtaining opinions both pro and con on the issue of the sales tax and I am continuing my inquiry so that I am and can be fully intelligently informed as to the interest of the people in my area.

Before we enact into law the increase in sales tax, Bill A 416, I urge this Commission to examine carefully the proposed budget to make sure that the deficit is truly as you have been discussing, \$300 million, and also to have an examination of alternate sources of revenue.

At this moment I would have to say as a State representative that I am not fully in accord with a second broad-based tax,

meaning that I do not favor an income tax because I don't think it is the fairest tax. A sales tax such as ours is presently does not tax food, clothing, rent or other necessities, but is truly a tax on luxury items. So to me and to those of whom I have made inquiry to this moment, it seems the fairest, fairest to the pensioners, fairest to other persons on fixed incomes.

I do not believe this tax should be extended to machinery and equipment. To do this would drive away new industry and prevent plant expansion and modernization of existing industrial plants which might result in their moving out of the state, resulting in the loss of many jobs and hinder the economic development of New Jersey.

If we eliminate the tax exemptions on advertising materials, we should do so completely with no exemptions for newspapers or magazines. There is no tax on printing in New York or Pennsylvania. Can you imagine the exodus of these industries to other states?

I respectfully propose that an increase in sales tax be for a limited period of time, one or two years. During the interim a tax conference, as called for by Governor Cahill on Monday and referred to by our State Treasurer today, can be held to consider other sources of revenue, such as an increase in the painless jet fuel tax, painless over-the-road or mileage ton tax on vehicles of 10 tons and over, an extension of the racing season, a tax on motel and hotel rooms, and a complete review of our present structure for collecting taxes, with placing of all collections in one agency, and that agency be charged with

the vigorous enforcement of all revenue-producing taxes.

I am sure that the present lax enforcement is costing the State many millions. I would recommend and favor the present 5 per cent if it meant the takeover by the State of all welfare costs from the counties so as to alleviate the tax burden presently on our homes and real estate.

My purpose in coming was to express myself. If there is anything that you would like to ask me at this moment, I would be happy to try to answer it.

ASSEMBLYMAN FIORE: Assemblyman Goldfarb, I see one thing you have here is the extension of the race track season. As you know, there will be a meeting of myself and the Racing Commission regarding this. The reason for that is that we find many of the states surrounding New Jersey are having racing during the winter season and it has become very profitable. For example, we understand the new track that went into operation, Liberty Bell, has pari-mutuels well over a million dollars and returning to the state, as it would under the law in New Jersey, 7 and 1/2 per cent, about \$500,000 to \$550,000 per week annually, during the winter season.

You have mentioned some methods. Could you explain a little bit about some of the methods that you are talking about in regard to taxation?

ASSEMBLYMAN GOLDFARB: Assemblyman Fiore, I'll try to mention a few. I know that we have a jet fuel tax now. The reason that I mentioned the one or two that I did at this moment is because I am trying to find painless methods to the citizens of this State. One method, that of increasing the jet fuel tax -

and I respectfully submit I do not have the figures in millions of what the production would be on the various things that I would now speak about, but they will produce millions. Five cents more per gallon tax be placed on each gallon of jet fuel sold at the various airports in the State of New Jersey, to be used by the State in the general fund. Presently we know there is a tax on the millions of gallons of jet fuel sold throughout the State. We have three or four large airports - three large - Teterboro, Newark, Morristown, Linden, Camden, Atlantic City and others - that purchase large amounts of jet fuel. The question is, and presented to me by a person involved in the sale of jet fuel, "Well, we'll gas up in Chicago." I think there can be methods to overcome that.

New Jersey is a corridor state, Assemblyman, connecting Metropolitan New York with the South. Thousands and thousands of trucks from the South containing materials for delivery in New York and New England are brought into the State by truck each day. These trucks use our highways and tax our emergency facilities, such as police and fire departments, ambulances, and they pay no tax to the State. It is suggested that a mileage ton tax be imposed on all trucks using the highways. This type of tax was enacted in New York State about 1950 and has produced approximately \$300 million a year to the State of New York. I am aware that we don't entertain that much trucking as the State of New York but I am sure this would produce ---

ASSEMBLYMAN FIORE: May I just correct you and say that the Turnpike, I believe, is the busiest highway in the country for trucking.

ASSEMBLYMAN GOLDFARB: Thank you. Our Turnpike is the busiest in the Nation. Any program that brings in millions that may make it possible some day for us to lower our sales tax would be very profitable for our commission to look into. If they can get \$300 million, we ought to get a piece of it. This money could be divided among the various communities in the State to reduce the tax burden to the extent that whatever the Commission decides the local property owner now supports these services.

We know that some of the large trucking companies must purchase licenses, but they still do not pay the ton mileage tax.

It is suggested that the Department of Taxation and Finance be set up in the State of New Jersey and that this department be solely responsible for the collection and assessment of all taxes and fees now paid to the various State departments. For example, the administration of the motor fuels tax is now handled by the Motor Vehicle Department. The Unemployment Disability is handled by the State Department of Unemployment Insurance. The sales tax is handled by the Sales Tax Division. As you can see, the auditing of the returns filed in the various divisions entail the use of many groups of auditors. Whereas if this tax collection administration was gathered into the one department, duplication, triplication, yes, and even the quadruplication of these audits would be eliminated. One auditor from the Department of Taxation and Finance could audit all tax returns filed by any business on the occasion of one visit. This would eliminate many man-hours used by these various groups that

are travelling to and from various places each day and most of all would save the State millions of dollars. I have no more to discuss.

I hope that you will take some of my suggestions under consideration.

ASSEMBLYMAN FIORE: Thank you.

ASSEMBLYMAN GOLDFARB: Incidentally, I have an Internal Revenue specialist who would like to say a word or two with your permission. This is Geoffrey Cheasty. He is a former consultant to the Internal Revenue Department and a special agent.

ASSEMBLYMAN DE KORTE: You have permission. Mr. Cheasty proceed.

G E O F F R E Y J. C H E A S T Y: I would like to digress just a minute from the sales tax if I may.

ASSEMBLYMAN DE KORTE: Not too far because this is a hearing on the sales tax bill.

MR. CHEASTY: I just want to draw your attention to the fact that in New York City yesterday a proposal was made for off-track betting and that the population of New York City, seven to eight million people, is approximately the population of the State of New Jersey, and that conservatively figuring the City of New York estimates this off-track betting will produce somewhere in the vicinity of \$200 million a year. I think consideration of that source of income should also be given by this Blue Ribbon panel. Thank you, gentlemen.

ASSEMBLYMAN DE KORTE: Thank you, Mr. Cheasty.

Are there any other legislators in the chamber who wish to

be heard at this time? If not, Mrs. Charles Pine of the League of Women Voters, please.

M R S. C H A R L E S P I N E: Gentlemen, I am Mrs. Charles Pine, a member of the state Board of Directors of the League of Women Voters of New Jersey. I am here today to testify against A 416. This is not that the League fails to recognize the critical need for additional State revenue to provide urgently-needed programs in our State. We know that the State needs revenue. Unfortunately, the money this legislation would raise would not be adequate to attack any of our major problems.

We oppose the 2 per cent increase in the sales tax because:

1. It is a stop-gap measure to meet the current budget deficit, but won't help the State solve its problems.

2. In light of the total tax picture in New Jersey, a 2 per cent increase in the sales tax now will simply add additional burden to those who are already overburdened.

3. Studies show that New Jersey can well afford to increase its level of State services, provided we relate our taxes to ability to pay, which the sales tax does not do.

Therefore, we urge this committee to recommend the enactment of a state graduated personal net income tax which will not only close the budget gap, but will assure that we waste no further time in coming to grips with major problems which face our State.

As an example of the kind of problem which we think the State cannot continue to ignore any longer, we cite the enormous disparity across the State in the quality of public school education. Only

29 per cent of the total cost of public education is borne at the State level in New Jersey. The national average for state support exceeds 40 per cent.

As a result of this low level of state support and because of the way in which this support is distributed, some children who live in relatively affluent districts receive excellent educational opportunity, while many other children growing up in communities which lack sufficient ratables are suffering real educational deficiencies. Some of the more affluent districts spend more than \$1000 per pupil while some of the less affluent districts spend less than \$400. Legislative proposals to ease this situation cannot be properly implemented now unless the State exacts taxes to cover the costs of such a program. To postpone action not only means that a generation of children is being cheated in their educational opportunity - and certainly no one can measure the ultimate cost of this to the State - but, by the time we get around to doing something about it, the cumulative results of neglect and postponement will make the taxes which we propose now inadequate to do the job.

We are certainly not going to burden this committee by reciting the many areas where the services provided by the State are inadequate. We know that many commissions and agencies of the State have already documented the needs in relation to transportation, pollution and urban blight. The citizens are becoming more aware of the needs and they look to the State government for solutions. But New Jersey which ranks 49th in the country in revenues it raises in relation to personal income cannot

provide the solutions which the citizens seek. The Legislature, with the best of intentions, cannot meet the demands of the citizens if it continues to deny to the State level of government a fair share of the tax resources which are available.

We have included a table with our testimony which is on the back and I ask you to look at the table and you will see that the burden of State and local taxes in New Jersey is roughly inversely proportional to the level of income, whereby those at the lowest level are taxed at a rate of approximately 17 per cent for State and local purposes and those at the higher levels of the table pay 9 per cent or less. Even when we add the major Federal taxes, social security and Federal income tax, the burden on New Jersey citizens does not become progressive. Adding the 2 per cent sales tax with the same exemptions as we presently have makes the picture worse. The next to the last column of this table refers to a 1 to 7 per cent graduated personal net income tax which would raise \$400 million for the State and the last column refers to a 2 per cent increase to 5 per cent with the present exemptions. And you will see that even though the personal net income tax which we have included in this table would raise twice as much for the State as the 2 per cent increase in the sales tax, the burden on the citizens at the lowest income levels would be less under the income tax. In other words, the burden of the income tax would be less even though it would raise twice as much for the State.

[Table referred to by Mrs. Pine can be found on page 138A of this transcript.]

We agree with the Governor's proposal to have a thorough look at restructuring New Jersey's taxes. This will take time.

In the meantime, we believe the Legislature should not move to make the taxes more unfair but should institute a tax measure which will derive needed income for the State from those who have the relative ability to pay. The state income tax is such a tax. Some other advantages of a state income tax are as follows:

It is productive. A tax of 1 to 7 per cent, one-half of New York State rates, would raise approximately \$400 million for the State. This would be enough to cover the budget deficit which has been explained to us today and in addition it would enable us to provide some of the major needs that we know our State needs.

An income tax is also less costly to the citizens than a sales tax. As a matter of fact, this income tax to which I have referred would raise about \$400 million for the State at a cost of approximately \$290 million to the citizens of the State. This comes about through retention and is the amount of money which New Jersey citizens would save when they itemize their Federal tax returns and are allowed to deduct their state tax payments in calculating their Federal income tax. If you were to raise \$400 million by increasing the sales tax, that would cost approximately \$375 million for New Jersey citizens. The difference is caused by the fact that the burden of the sales tax falls in the lower income levels where citizens are less likely to itemize in calculating their Federal tax liability.

Another advantage of an income tax is that it grows with the economy. It is more responsive to economic growth than the sales tax. In the last decade personal incomes in the United States increased 91 per cent, whereas retail sales increased

only 70 per cent. The rate of growth of the yield of a graduated income tax would be greater than this 91 per cent because a good part of the increase in the income is at higher income levels.

With an income tax, most commuters to New York would be spared further increase in their taxes. This would affect approximately 200,000 taxpayers, almost 10 per cent of New Jersey families.

The benefits of an income tax can be explained to the voters. They may not now realize that an income tax on incomes up to \$12,000 a year would cost approximately 1 per cent of their incomes. About 75 per cent of the families in New Jersey earn less than \$12,000 a year. Another point which I would like to make at this time is that the Federal surtax will be dropped on July 1, 1970 and the amount of additional taxes that New Jersey citizens paid under the Federal surtax was about \$300 million. This amount of money could be collected through a state income tax, which we certainly know the State needs.

What the administration is proposing is to act now to increase the sales tax in order to collect four months additional revenue with which to begin fiscal 1971 and then study to find out what really has to be done about taxes in New Jersey. We do not believe that this procedure will increase the confidence of citizens in their government. Between now and July 1 there is time for the Legislature to give full consideration to the requirements of the projected budget and to the total tax picture in New Jersey. There is time to develop a fiscal policy for the State which will be fair, adequate, and farsighted. And we urge you to take this course. Thank you.

Mrs. Robert Kline, who is President of the League of Women Voters of New Jersey, and Mrs. Paul Moffett, who is our research person on state taxes, are both here with me today and we hope we are prepared to answer any questions which you may have.

ASSEMBLYMAN DE KORTE: Any questions? Senator Crabiel.

SENATOR CRABIEL: Mrs. Pine, I note that you support a tax convention or tax commission for tax reform. What other inequities are in the tax structure in the opinion of the League other than the position for the income tax?

MRS. PINE: You are asking the League's position on the inequities in the tax structure.

MRS. KLINE: May I answer that?

ASSEMBLYMAN DE KORTE: You may.

MRS. ROBERT KLINE: I am Mrs. Kline, the President of the League. We have had a position in favor of a state income tax for New Jersey for quite a number of years, as most of you know. We are presently engaged in a study throughout the State by our League members of the property tax. We don't have a specific League position at this moment on the property tax or what our recommendations would be on it. But in presenting our figures on this tax, we have given you the burden of the property tax or of local taxes and we are confident that a glance at those figures indicate that this is a tax which is most inequitable and weighs most heavily on people who have the least ability to meet the taxation.

SENATOR CRABIEL: Can I phrase my question this way then: In your advocacy of a tax convention or a tax commission, would you

consider that it would be proper, for instance, to study the possibility of a homestead exemption on real estate?

MRS. KLINE: Yes, I think we would feel that the entire tax picture should be studied and all of the possibilities that were considered. I wouldn't be able to say what position we would have on any one of these recommendations.

SENATOR CRABIEL: In other words, the League feels that a study of taxes should be more than a study of purely income tax versus a sales tax.

MRS. KLINE: Absolutely.

SENATOR CRABIEL: Now does the League have any position on the type or size or makeup of such a convention or commission?

MRS. KLINE: No, sir, we really haven't. I can't say that we even have a formal position in favor of it. We have been very much aware of the work of the Tax Policy Commission over the years. I believe in our discussion we felt that the appointment of such a Blue Ribbon Commission, as it is being called, - that the purpose of it would be to bring into the commission a great many interested and influential citizens who would be able to build public support for the proposals that such a commission could make. I was surprised to learn it was being considered as such a small commission because I don't know if that would do the job.

SENATOR CRABIEL: That is what I was trying to get you to say.

MRS. KLINE: We wouldn't like to see it as big as the Constitutional Convention. But we would like to see it constituted so that its recommendations could be carried out by the Legislature,

just as the recommendations of the Capital Needs Commission were given a great deal of weight because, I think, of the makeup of the Commission and the kind of serious report they came out with.

SENATOR CRABIEL: One other question: Do you think that if a commission were appointed and it were given an adequate appropriation, there is any reason why it could not report within a reasonable time, say 90 days or 120 days?

MRS. KLINE: Well, we stated in our testimony that we felt there was ample time before July 1st in order to have a report and for the Legislature to act.

SENATOR CRABIEL: Very well.

ASSEMBLYMAN DE KORTE: I don't mean to go out of order, but just directing myself to that point in your testimony, it seems to me the thrust of your testimony was that the Legislature should give full consideration within the four months that remain rather than that we should have a Blue Ribbon Commission of any kind address itself to this.

MRS. KLINE: Of course, the Legislature is the body, the only body, that can do anything about it. We realize that what is needed is to have the kind of public support that will enable the Legislature to take the action which I think the whole Legislature is very well aware is needed. We would be happy to have the Legislature do anything that would build support in this State to enable the Legislature to act to move us forward in solving our problems. And if a commission of the kind that has been discussed would enable the Legislature to act more promptly, then we would be in favor of that.

ASSEMBLYMAN DE KORTE: To your knowledge, if you know, what was the passage of time or the time lapse between the appointment of the Governor's Capital Needs Commission and the implementation of their recommendations by legislative action?

MRS. KLINE: And the implementation?

ASSEMBLYMAN DE KORT: And the implementation by the passage of legislation.

MRS. PINE: Their report was issued in March of 1968 and it was on the ballot in November. Their recommendations were on the ballot.

ASSEMBLYMAN DE KORTE: When was the Commission created?

MRS. KLINE: As I recall, it was a very full-time job for the Commission. In February 1968 the Governor convened the Commission. It reported in July?

MRS. PINE: April, 1968. The report is dated April, 1968.

MRS. KLINE: That was February to April and there is so much material that has already been developed by the Tax Policy Commission on taxes that I think we would feel that a commission could report promptly and that the Legislature could act on it.

ASSEMBLYMAN DE KORT: I have some other questions, but I yield at this point. Assemblyman --

ASSEMBLYMAN FLORIO: Ladies, accepting your basic premise, as I do, that the sales tax is inherently regressive as having an adverse effect on those least able to afford it, and accepting, as I think most will accept, the large concentration of low-income people are found in our urban depressed areas, also accepting representations by various administration spokesmen that we are going to have this sales tax by the 1st of March, I would ask

what your thought would be to an exemption provision which would exempt goods sold in retail establishments within municipalities meeting certain guidelines. The guidelines might be under a formula which would establish a ratio of population to total tax ratables; that is to say, the increase would not go into effect in a classification of municipalities which in effect would be the urban areas, the urban economically-depressed areas, the virtue of such a proposal being that the low-income individuals would be concentrated in those areas and therefore the regressive features of the increase in the sales tax would be modified. Also, it would seem to me, this would be a boost in the economic business competitive atmosphere in urban areas to further the redevelopment of urban areas. I would ask if your organization would be predisposed to such a position in the event that the sales tax is to be placed into effect by the 1st of March.

MRS. KLINE: I would like to say that we have not considered such a possibility. But it would seem to me that complicating the tax picture in that way would result not only in lowering the revenues that could be anticipated and making them rather uncertain, but it would also have quite a widespread effect on communities throughout the State if the incentive were given for people to go to another town to do their shopping. We don't have a position on it, but it sounds like a very complicated thing that could not be undertaken lightly.

ASSEMBLYMAN DE KORTE: Any other questions? Senator Dumont -

SENATOR DUMONT: Mrs. Pine or Mrs. Kline, you don't any longer use the argument that the League used to make - and I

presume this is because of the change in the New York law - that the money that is paid to New York State by the commuters from New Jersey would be returned to New Jersey. Is that correct? Except you say in here that they would be spared a further increase in their taxes.

MRS. KLINE: When we first used that argument, Senator, it was at a time when there was reciprocity between the states.

SENATOR DUMONT: Right.

MRS. KLINE: Then that was dropped and New Jersey instituted a tax on commuters from New York to New Jersey. What we are assuming is that a state income tax in New Jersey would have in it provision allowing commuters not to pay taxes to New Jersey on the same money that they were paying taxes to New York on. Of course, some commuters would have income from other sources that was not taxable which would be subject to taxation in New Jersey.

SENATOR DUMONT: But you are also assuming that under the New York legislation, whatever money is earned by New Jersey commuters working in New York State would be retained in New York State.

MRS. KLINE: Would be retained in New York, right.

SENATOR DEL TUFO: Can I ask you a question? I have a lot of respect for the League. I have been around quite a few years here. What is your feeling on the creating of another commission, knowing how you have followed the activities of the Tax Policy Commission? What is your feeling about creating a new commission?

MRS. KLINE: Well, as I said before, I just feel that

everything must be done and done as soon as possible to help the people of the State to recognize what the situation is, to really examine the total tax structure of the State. One reason that the sales tax is so repugnant to us is that when it is added to the rest of the tax structure, it compounds the tremendous regressiveness of the taxes in the State. So we think that - we know that the recommendations of the Tax Policy Commission over the years have not really be implemented and if the way to do it is to get the kind of citizen support that perhaps such a commission would create - and we have seen it work with other Blue Ribbon Commissions- then we would have to support it. Anything that can be done to solve the problem is something that we would support. Are you concerned about the cost of the Commission?

SENATOR DEL TUFO: Yes, I am because here we are looking for money and we are talking about being economy-minded and now we are going to spend more money to duplicate services which we are already getting from the Tax Policy Commission.

MRS. KLINE: Well, I don't know what the cost of such a commission would be. I should know what it cost to have the Capital Needs Commission Report. I don't know. But I do feel that without that report we probably would not have been able to take the steps that we did to meet some of the capital needs of New Jersey. So, therefore, I would have to say that that money would be well spent.

ASSEMBLYMAN DE KORTE: Your estimate of the revenue from your proposal - and I gather it is your proposal - of a 1 to 7 per cent income tax is \$400 million.

MRS. KLINE: That's right.

ASSEMBLYMAN DE KORTE: And your testimony is that this would cover the expected fiscal '71 deficit and provide for the implementation of much needed new programs. Now if we assume a budget gap at this point in the neighborhood of \$300 million, that would mean there would be another \$100 million available for the implementation of other programs. Is that correct?

MRS. KLINE: If we assume that.

ASSEMBLYMAN DE KORTE: All right. Let me turn it around and ask another question. How much do you estimate of the yield of \$400 million would be available for the implementation of new programs? I'll ask the questions over again so you can hear them.

MRS. KLINE: Well, the estimates that we have been talking about in the League on the gap is about \$270 million, so that would leave about \$130 million. But this would be \$400 million that was raised in a 12-month period, not over a 16-month period.

ASSEMBLYMAN DE KORTE: I understand that. But there would be then \$130 million available for the implementation of new programs. This is my point: Is this enough?

MRS. KLINE: No.

ASSEMBLYMAN DE KORTE: If you project just one new program, that recommended by the Bateman Commission at \$180 million price tag, what do you do then or what would the League propose we do then? Increase the rate of the income tax?

MRS. KLINE: Well, I am hopeful, of course, that there will be a really complete reevaluation of taxes in New Jersey

and that we will find out what we need and we will find out how to raise it most fairly and most equally. Also we have made quite a point about the growth of the income tax with the economy. So we could count on more growth from that than we could from the sales tax.

We have been hearing that with the present proposal, the sales tax proposal, that the Legislature might be able to begin to implement the Bateman proposal perhaps in three steps. Our feeling is if we do it that slowly, the impact of the proposal will really never be felt by the communities, just as returning \$25 per pupil last year to the communities was not felt, especially in the more affluent communities and the result was that people say, "We had a sales tax and whatever happened to the money?" We know that most of the money went back to the local communities. But with the property tax problem that we have, it just was dissipated.

ASSEMBLYMAN DE KORTE: It remains true, however, that if we were to do as you recommend and enact an income tax at a graduated rate of 1 to 7 per cent, there would not be adequate money left after paying for the "budget gap" to even fully implement the Bateman Commission Report this year. Is that true?

MRS. KLINE: Yes, I am afraid that is true.

ASSEMBLYMAN DE KORTE: So that on top of the proposed income tax ---

MRS. KLINE: We could start it.

ASSEMBLYMAN DE KORTE: We could start it and we could do that which you just indicated you didn't like, fragmenting implementation of the Bateman Commission Report.

MRS. KLINE: Maybe they could do it in two steps instead of three.

ASSEMBLYMAN DE KORTE: We could do it in two steps instead of three. And I suppose half of the implementation of the Bateman Commission Report is all that we could do if we accepted your proposal and passed an income tax of 1 to 7 per cent, assuming all other things stayed equal.

SENATOR CRABIEL: Mr. Chairman, I don't understand that the Governor has proposed in his proposal to implement the Bateman Report.

ASSEMBLYMAN DE KORTE: No. I am asking the question as to what new programs could be implemented and I am saying, assuming that high on our order of priorities was the Bateman Commission Report, we couldn't fully implement that with the additional revenue that would be made available by the income tax. I think that is a fair question.

SENATOR CRABIEL: That's a fair statement. I just didn't want it implied that in the administration proposal the Bateman Report was being implemented.

ASSEMBLYMAN DE KORTE: I didn't imply that in any sense. I certainly didn't mean to imply that.

MRS. KLINE: The reason we chose the 1 to 7 per cent income tax proposal was not that this is our only firm League position on what an income tax should be, but was to give us some figures that would be comparable to what a sales tax might be able to do. We chose \$400 million because we knew that there was a gap in our present budget and that the Legislature would want to do some new programs. We never pretended to say that the

income tax would solve the problems of the State.

ASSEMBLYMAN DE KORTE: The income tax then is not a panacea for our fiscal problems in the State of New Jersey.

MRS. KLINE: No, it is not a panacea for our fiscal problems but it is a step toward making taxes in New Jersey more productive and more equitable. We are really boxed in with our present taxation policy.

ASSEMBLYMAN DE KORTE: From where do you derive the figures that appear on your Table 2, which, of course, I am familiar with by reason of having received a similar although not identical table in the mail?

MRS. KLINE: We will turn you over to our expert, Mrs. Moffett.

MRS. PAUL MOFFET: Well, the first set of figures, which are the Federal figures are the Federal income tax and social security tax, which are actual tax rates applied to the income group. The next tax is the State taxes, which are the total State taxes shown by income classes, and this is based on a study made by Professor Shaffer at Rutgers where he distributed them between the income classes. These are the total State taxes we now have. The local tax is a property tax mainly - only, I think, the property tax. And this is also distributed on the basis of the study made by Dr. Shaffer. Now his study comes back to the Bureau of Census figures on consumer expenditures and he went back to the original sources of information beyond the published figures that give you the expenditures by income classes. There is one problem with data like this, in that the last census was in 1960 and the new census was being made in the

near future and the only material available on expenditures by income classes is from the census. Then, of course, we added a possible State income tax of 1 to 7 per cent or a 2 per cent increase in the sales tax.

ASSEMBLYMAN DE KORTE: Senator Dumont, do you have a question?

SENATOR DUMONT: Mrs. Kline, what is the position of the League, in the event you have one, on the legalization of off-track betting?

MRS. KLINE: We don't have a position on that. But again I would like to say that such taxes as the lottery or off-track betting are also taxes that tend to weigh heavily on people who really can't afford it.

ASSEMBLYMAN DE KORTE: Any other questions?

SENATOR DUMONT: Well, of course, there is no requirement that they pay them either?

MRS. KLINE: I know, but they are the people who are hoping for a break in life.

May I just add one thing which I think Mrs. Pine omitted from the testimony - I think it is really an important point - and that is to reemphasize that a \$400 million yield to New Jersey would cost New Jersey citizens \$290 million with an income tax. We are always complaining that New Jersey sends \$1.79 to the Federal government for every dollar that is returned. One reason for this is that we don't have the kind of State taxes that our citizens can deduct when they figure their Federal income tax. It would mean that in New Jersey we would keep \$110 million that we are now sending to the Federal government every single

year and New Jersey gets further behind the other states, 34 of which have some form of income tax. Thank you.

ASSEMBLYMAN DE KORTE: Thank you very much for coming, ladies.

Assemblyman Schluter.

SENATOR WALDOR: For the record, will you state your name, please.

MR. SCHLUTER: William Schluter. I live in Pennington, New Jersey. I am Assemblyman representing District 6A, which is a portion of Mercer County.

A S S E M B L Y M A N W I L L I A M E . S C H L U T E R :

Gentlemen: I appreciate the opportunity to appear before you today to comment on the proposal of increasing the present New Jersey sales tax by 2% in order to meet anticipated budget requirements for the fiscal year beginning July 1, 1970.

I also recognize the severe pressures that your committee is undergoing, and commend you for your fair-minded approach to this problem in holding a public hearing.

My purpose in appearing today is to present an alternative to the bills which you have before you. As an Assemblyman and as a member of the Appropriations Committee for the last two years, I am somewhat familiar with the crisis of the present situation as well as the general fiscal problems present in New Jersey at this time.

Specifically, the proposal which I offer as an alternative to the tax program spelled out in Assembly Bills 416, 417, and 418 is embodied in a bill introduced on Monday, January 26, and given the number of A-540. This bill, recognizing the need to balance next year's budget in the face of a deficit approaching \$300 million, would raise the existing sales tax by 2% for a temporary period of time from March 1, 1970 to June 30, 1971. After this period, the sales tax rate would revert back to its present 3%. There are no changes in the present exemption schedules contemplated by A-540.

At the same time, this bill would create a blue ribbon Tax Reform Commission consisting of thirty members, and charged with the responsibility of reporting to the Governor and Legislature by July 1, 1970 their recommendations for the reform of New Jersey's entire tax structure.

Advocates of tax reform in New Jersey -- and their number is growing daily -- contend that a tax reform "package" would include several provisions changing the New Jersey Constitution. The reporting schedule of the Commission established by A-540 anticipates a special session of the Legislature during the summer of 1970 for the purpose of implementing such a program in time to submit constitutional questions to the voters in November of 1970.

And I might add here that there is time allowed in the schedule contemplated by A-540 to even have a legislative recess at which time there would be public hearings of such a Blue Ribbon Commission where the entire focus of the leadership of the State could be directed toward the work of this Commission.

Getting back to the original problems of a budget deficit for fiscal 1971, I am in complete agreement with reports from Governor Cahill's office that such a deficit will exist to the extent of approximately \$300 million. I am also aware that the new Governor has the responsibility to present a balanced budget

for next year. And as a member of the Appropriations Committee for the last two years, I recognize that the past Legislature did undertake "credit card" financing whereby we advanced the collection dates of certain state taxes, thereby giving us additional income without changing the revenue rates. It has been pointed out that this process can only be done once -- in other words, it was a "one-shot" measure.

The bill which I am proposing as an alternative -- Assembly Bill 540 -- recognizes the facts of life of a budget deficit and, basically, solves it in the same way as the Governor's proposal -- by increasing the sales tax to 5%. Incidentally, I am convinced that the smaller amounts which the DeKorte bills propose to raise in taxes by changing the exemptions could be accounted for under my proposal by budget cuts and/or a few miscellaneous adjustments in excise tax rates.

There are those people in New Jersey who believe that we should have no new taxes and that we should have no tax reform. The fiscal problems facing our State, in my opinion, give no credence to this position. There are others who feel that we should tax now and reform later. However well intentioned this position might be, I believe it is the one New Jersey has followed in the past -- the one which has given our State a crazy-quilt, patchwork system of taxation.

We have many idealists in New Jersey who honestly believe

that the State must reform now and tax later. Such an approach is impractical because of our constitutional commitment to balance our budget. I am suggesting a reasonable and viable alternative --

A TEMPORARY TAX AND PERMANENT REFORMS.

With a temporary sales tax increase, you have two distinct advantages which are absent under the permanent increase plan. First, you have more options in your program of reform. The State is not "locked in" to a 5% sales tax rate when undertaking a re-structuring of our taxes. Secondly, the temporary nature of the increase will create a sense of urgency to enact meaningful reform, which sense of urgency would not be present under a permanent sales tax increase.

Without this sense of urgency -- without the leaders of the State being faced with a June 1971 deadline at which time the sales tax would stop -- I honestly do not believe that we would get meaningful tax reform. In my opinion, the inclination would be to scrape through 1971 (a legislative election year) without any new taxes or changes from the DeKorte bills which are before you. Tax reform would then be postponed to early 1972. By that time, we will have had two more years of fiscal uncertainty and crisis in New Jersey; we would lose the sales tax increase as one of the options of reform; and we would probably be inclined to merely add additional taxes rather than to enact basic reform, because

New Jersey would be in exactly the same "boat" as it is today -- except for an expanded fiscal scope.

I might also add here that I am, as a member of the Appropriations Committee, well aware of a need and a desirability and the prospects of definite budget cuts and economies we can make in State Government, and I am making this statement notwithstanding these cuts which I think can be made and I think can be substantial.

I would remind the Committee that President Nixon was faced with a somewhat similar problem in 1969. He determined that it was necessary to extend the personal income surtax in order to balance the Federal budget. Congress granted this request only with the proviso that the surtax extension be locked in to Federal tax reform. My proposal is based on the same principle. Tax reform is absolutely vital for New Jersey, and I believe that the only way we can achieve reform is to take advantage of the emergent conditions which will prevail when the sales tax increase has a termination date.

In other words, gentlemen, the temporary nature of my proposal provides a catalyst, if you will, or a mechanism to create reform.

The year 1970 from a political standpoint is a propitious year in which to undertake tax reform. The Legislature will have to act courageously if we are to have effective reform. Further, we will have to involve the electorate since several segments of reform will be subject to referenda.

On a somewhat separate point, I am sure your committee is aware that a 2% increase in the sales tax for sixteen months utilizes the same "one-shot" collection principle of which the previous Legislature was guilty in respect to several taxes. I am referring to the four months of extra collections between March 1 and June 30 of 1970 which would be used for the following year's budget.

This extra four months collection would not be available to balance future budgets.

The details of structure of the blue-ribbon tax commission are important, but I do not claim that those included in A-540 represent perfection. This particular bill would establish a thirty-member commission, with eighteen members appointed by the Governor. An additional six senators and six assemblymen would be appointed by the leader of each respective House. I think we can all agree that a commission, to be effective, must include representatives from many diverse groups as well as persons with knowledge and expertise in fiscal matters.

The most important consideration with respect to the Tax Reform Commission is that they begin their work at once, so that a report can be forthcoming at an early and reasonable date. Such a commission cannot drag on interminably. With all the information at hand from the New Jersey Commission on ^{State} Tax Policy and reports of various other commissions, it would not be difficult

to do this job effectively in the one hundred days contemplated by Assembly Bill 540.

The Committee will be interested to know that Senator Rinaldo's bill - introduced on January 20 - Senate 452, proposes a tax reform commission based on the same time schedule as I have outlined.

And, incidentally, I see by yesterday's press that Senator McDermott, also of Union County, has made a call for tax reform even in advance of increasing taxes.

Senator Rinaldo's bill, however, does not provide for the budget deficit by a temporary tax increase.

In my opinion, and I think this fact will be borne out by tax theory advanced in many quarters, the bulk of New Jersey's total taxes are paid by the vast number of middle income families. The percentage of total tax intake by the State paid by the very wealthy and the very poor, I would venture, is small. In what form, then, does this vast group of middle income citizens pay the bulk of taxes? Certainly they pay a considerable amount in the form of sales tax, motor fuels tax, and excise taxes. But the largest amount paid, in my estimation, is in the form of property taxes, which are spiraling upward with no relief in sight. The property tax is distorting all of New Jersey's basic fiscal structure. It is the primary cause for decay in our cities. It creates severe and unconscionable hardships on our senior citizens. A legislator merely has to look at the number of bills that have been introduced in this session regarding property tax relief for our older

residents to be aware of this particular condition. In my estimation, tax reform must level off the spiraling property tax increases. If your Committee agrees that property taxes are the number one nemesis in New Jersey's fiscal picture, let me ask you the question: "What will the 2% permanent increase in the sales tax do to relieve the property tax?"

If you question the practicality of the proposal of A-540, I would suggest that you review the circumstances surrounding the 1968 New Jersey bond issue of \$990 million. On January 1 of that year, who in their right minds would have predicted that New Jersey citizens would be overwhelmingly approving a \$1 billion bond issue later that year? The reason this effort was successful was because all of the top-notch personnel and brains of the State were marshalled behind the plan which, incidentally, proposed an original irreducible need of \$2 billion, distilled from the requests of the various administrative departments amounting to \$5 billion. In several short months, the distinguished people on the 1968 Capital Needs Commission developed realistic proposals and were successful in getting the Legislature to adopt their basic program.

And I think it is proper to add that part of the 1968 program was manifested by the \$271 million Clean Water Bond Issue of 1969, so that would have to be added to the original \$990 Million as part of the capital needs package.

In 1968, the methods of public hearings and full disclosure were used to gain public support. And I can't

stress these measures too greatly. These same devices can be used for tax reform in 1970.

The State of New Jersey is not only faced with the budget deficit for fiscal 1971. We also must consider state funding of some very important programs. I am referring to changes in the school aid formula as recommended by the Bateman Commission, state payment of total welfare costs, projected increases in health program costs, - which we understand are going to be going up in the form of Medicaid in the years ahead - and state assumption of judicial costs. Two things happen if the State assumes its proper role in these areas: first, there is property tax relief because a lesser amount of revenues for these purposes is raised in municipal and county budgets; second, the State has to come up with additional revenues to finance these programs. It is very elementary. The State cannot come up with these additional revenues unless it has tax reform. As a corollary, the property owner cannot expect relief unless there is tax reform.

Your Committee has an opportunity to be a vital force in directing the financial future of New Jersey. As I commended you for your interest and concern in holding this public hearing, I now appeal to you to consider the implications and the far-ranging effect of your deliberations on this subject. I submit that A-540 presents an opportunity for New Jersey to "have its cake and eat it, too."

I would urge you to seize upon this opportunity. Not only does this measure take care of an expected budget

deficit, but it does two important additional things: it leaves one more option open in the development of tax reform, and it establishes a climate of extreme urgency - a climate only under which tax reform can be accomplished.

Thank you.

ASSEMBLYMAN DE KORTE: Gentlemen, are there any questions?

ASSEMBLYMAN FIORI: Assemblyman Schluter, I see you refer to changes in the school aid formula as recommended by the Bateman Commission, the welfare costs, health program costs, and so forth; would you also include in this tax exempt property? For example, I happen to be from the City of Newark. Now we do happen to have the Port Authority which covers over 3,000 acres. And I believe we have a total of 15,000 in the whole City of Newark in acreage. Also we have our College of Dentistry and Medicine which picked up 65 acres and we have Newark-Rutgers which picked up in the neighborhood of 23 acres. Now these are educational institutions and they're good for the State. But the burden of the entire tax package is picked up by the homeowners of the immediate vicinity, in this particular case the municipality of Newark, which, of course, adds on greater money in regard to their property which is now I believe at 8.32 tax rate. Now we have some law on the books presently in regard to State land which I believe was enacted in 1935 and I believe in order to have some type of relief you must have 9 per cent of the total acreage of the municipality. That would mean, in Newark, these people would have to take

over about 1,000 acres. Well, we're up to a hundred, but they happen to be valuable pieces of land which are off the tax rolls and which the State has now taken over.

Do you feel that included in your program should be tax exempt property so that these municipalities may get a return of some of their money in lieu of taxes or in the regular tax formula basis, whichever it may be, and also help give some relief to the homeowners?

ASSEMBLYMAN SCHLUTER: Assemblyman, on page 6 of Assembly Bill 540 there is a section which says: "Said study and investigation shall include, but need not be limited to," and it lists a number of areas. Both of the areas which you mention are included in there. For example, "g. Proposals applying to nonprofit and tax-exempt organizations." which would include any public organization.

ASSEMBLYMAN FIORI: Now in this particular case this is State land. Now we did submit a bill last year but the fiscal note was so enormous I was afraid even to mention it on the floor, I think it was \$51 million. Now actually this is an obligation that the State should have to the municipalities. It started in 1935, 34 years ago. The cities at one time were affluent, they were bringing in the money and they were helping the rural areas, the suburban areas. Today there's a change, the economy is not there and the people in the center cities today are overburdened with property taxation. There has been a shift. And I feel the State and others should recognize this.

ASSEMBLYMAN SCHLUTER: Extending that, Assemblyman,

if I may, Mr. Chairman, section "h" says, "Payments to municipalities in lieu of taxes for state, county and other public property." So I think it covers the area about which you spoke.

ASSEMBLYMAN FLORIO: Assemblyman Schluter, I think you quite candidly stated that your proposal, as well as the Administration's proposal, is guilty of the same type of credit card financing recently denounced by the Governor, in that he's going to rely - both proposals would rely upon an acceleration of a non-recurring amount, that is the amount to be raised between March and July, and the Treasurer, this morning, testified that that amount would be, I think, \$88 million. By passing either one of these proposals aren't we insuring the fact that for the fiscal year 1972 we automatically have another budget crisis and that the budget will then have a deficit of \$88 million automatically?

ASSEMBLYMAN SCHLUTER: Assemblyman, speaking only for my proposal and not for A-416, tax reform, together with economies which I believe can be effected, and with restructuring of New Jersey taxes in the time schedule which was contemplated by my presentation, would take this into consideration. In other words, the tax reform program would be debated, would be discussed, and would be enacted by the third quarter, perhaps, of 1970. And that program would contemplate the 1972 budget which is deliberated on in the winter and spring of 1971.

ASSEMBLYMAN FLORIO: Dealing in terms of specifics, whether we categorize them reforms or economies, the fact

of the matter is, by enacting your piece of legislation as well as the other piece of legislation, we still have to come up with \$88 million, whether it's in the field of reform or economy, because you're going to be relying upon this accelerated non-recurring windfall of \$88 million. Isn't that the case?

ASSEMBLYMAN SCHLUTER: I mention this as a factor that has to be considered by your Committee but I was not present when the Treasurer gave his testimony. I don't know what his answer was to that particular matter.

SENATOR CRABIEL: Mr. Schluter, as long as you were advertising Senator Rinaldo and Senator McDermott, I ask if you have had a chance to read Senate 413 by Crabiel, Lynch, Tanzman and Coffee?

ASSEMBLYMAN SCHLUTER: I have not, Senator. I will make a note of it and read it.

SENATOR CRABIEL: I would call that to your attention because in many respects it is similar to your measure but it has three major differences on which I would like to question you as to your opinion. No. 1, do you think a matter of taxes which is so vital to each and every person should be partisan or bipartisan?

ASSEMBLYMAN SCHLUTER: Senator, I think it should be nonpartisan.

SENATOR CRABIEL: You think it should be nonpartisan.

ASSEMBLYMAN SCHLUTER: I do not think it should be partisan, I do not think it should be bipartisan, I think it should be nonpartisan.

SENATOR CRABIEL: Then how do you account for putting on Assemblymen and Senators, on your Commission? Are Assemblymen and Senators nonpartisan?

ASSEMBLYMAN SCHLUTER: Everybody is partisan.

SENATOR CRABIEL: Okeh.

ASSEMBLYMAN SCHLUTER: But I meant the structure as far as the number of Republicans, if you will, versus the number of Democrats is not specified.

SENATOR CRABIEL: Well, would you have any objection to specifying it so that it's equal?

ASSEMBLYMAN SCHLUTER: If it worked out that way, I would have no objections but I would hope that the people picked for this Commission would be picked for their expertise in fiscal matters rather than because of party affiliation.

SENATOR CRABIEL: You will note another big difference in Senate 413 against your bill is to provide for confirmation of the appointees, the appointees to be made by the Governor, confirmation by both the Senate and the Assembly, the reason being that the Assembly under the Constitution must introduce revenue-raising measures. What would your opinion be if your commission idea were adopted to have such a procedure incorporated in the legislation?

ASSEMBLYMAN SCHLUTER: Senator, I would have to give that a little more thought, but I did say in my testimony that my bill does not claim perfection in this respect. The main ingredient in tax reform is a willingness by the people who are going to undertake reform to forthrightly go about it. And I don't think you ideally, and this is my

personal opinion, would want to hamstring a Governor on his appointments in any way because certainly he would almost have to be a leader, if not the leader, in effecting tax reform.

SENATOR CRABIEL: In other words, you place the responsibility on the Governor for tax reform, is that correct?

ASSEMBLYMAN SCHLUTER: On both. I said, I would have to study your proposal. I'm not saying I would object to it. I just countered with my thoughts, Senator, that it's certainly very possible and very likely that could represent a good approach.

SENATOR CRABIEL: Others have testified here this morning that they thought the most important function of the tax convention or tax commission would be to get broad representation and broad support, which your bill evidently attempts to do and so do some of these others, but in questioning the Treasurer at the beginning of the day he leaned toward a small commission. Therefore, I'm trying to develop your viewpoint as to big against small, as to how that is to be represented.

ASSEMBLYMAN SCHLUTER: My personal viewpoint is, I pick 30. I forget exactly how many Governor Hughes had on his special commission to study the capital needs but I think it was in excess of 20 or possibly approaching 20. And here again my figure is not sacrosanct, Senator, it's offered as a starting point. If it makes more sense to have a bigger commission, fine. I think I would say that I would rather err in the direction of too many than

too few.

ASSEMBLYMAN DE KORTE: Gentlemen, you know, we are doing a great deal of inquiry into a tax commission and A-416 doesn't propose one. I recognize that the alternative presented by Assemblyman Schluter does and he has ably, I think, presented the case of his bill as opposed to 416 and I think Senator Crabiel you can ably present your case for your bill but I would rather you did it directly rather than cross examine.

SENATOR CRABIEL: Well I call to your attention that the leadoff witness for the Administration, the Treasurer, mentioned the tax commission.

ASSEMBLYMAN DE KORTE: And it, therefore, became appropriate in the questioning of the leadoff witness; I'm not sure it continues to be appropriate throughout the conduct of this hearing and I'd like to expedite it so let's get on with it.

Any other questions?

SENATOR DEL TUFO: Assemblyman Schluter, you mention here that this increase would be for a temporary period, is that right?

ASSEMBLYMAN SCHLUTER: Yes.

SENATOR DEL TUFO: Can you show me raising revenue measures that have stayed temporary, for example the inheritance tax law which was passed? I've been trying to get it off the books and I can't. Do you think you would be able to get this off the books after picking up millions of dollars?

ASSEMBLYMAN SCHLUTER: Senator, respectfully I answer and say that it would be easier to get it off under this basis than under the basis of 416 where you would have to rescind action. However, the mechanism here, the catalyst, is that the Legislature would be under such pressure to enact reform that they would have to make a decision whether or not they would want to make the sales tax permanent, and that would be part of a reform program.

SENATOR DEL TUFO: I'm very much interested in your bill. Now I don't know whether this is a relevant question or not but I would like to ask it because it's bothering me. In Assembly Bill 416 by our able Assemblyman DeKorte watered down is the penalty for not keeping records from a misdemeanor to a disorderly person. What does your bill call for?

ASSEMBLYMAN SCHLUTER: My bill does not speak to that particular issue, it does not amend that.

SENATOR DEL TUFO: If I may, I would just like to make this statement and then I'm through. I'm very concerned about that because anybody that doesn't keep records of this type, who is handling trust money to be turned over to the estate, is tantamount to an embezzler and I don't think the penalty should be watered down from a misdemeanor to a disorderly person.

ASSEMBLYMAN DE KORTE: Senator, addressing myself to that question, the maximum penalty for a disorderly person offense is identical to the penalty for a misdemeanor. The reason the bill makes the disorderly person offense is so that

the facilities of the municipal courts and the summary processes there available will be made available to the Division of Taxation which they feel will permit better enforcement of the law and more speedy enforcement of the law, as opposed to the premise for the process of criminal indictment and trial by jury.

SENATOR DEL TUFO: I can see the penalty is the same but let me say this, over my 30 years of practice and appearing in the lower courts and the police courts, any time you bring a man in under the disorderly persons act he is given a suspended sentence or a \$25.00 fine and you very rarely see a prison sentence or a \$1,000 fine.

ASSEMBLYMAN DE KORTE: Okeh. It's a debatable premise to be sure.

Senator Dumont?

SENATOR DUMONT: Mr. Assemblyman, following up what Senator DelTufo asked, do you really believe that since we have taxes that were enacted for emergency purposes, as far back as World War II, that are still in effect do you believe that you can terminate the 5% on June 30, 1971?

ASSEMBLYMAN SCHLUTER: Senator, it would terminate if the Legislature did nothing.

SENATOR DUMONT: If the Legislature did not change its mind.

ASSEMBLYMAN SCHLUTER: Correct.

SENATOR DUMONT: And the Governor did not also.

ASSEMBLYMAN SCHLUTER: Correct. But I hope I have

gotten my point across and that point is that tax reform in the State of New Jersey has reached a stage where we're in a crisis situation, and I think tax reform will be handled forthrightly and directly by the powers-to-be in the State of New Jersey. If they're faced with the prospects of having to re-enact that 2% again in 1971, this will, if you will, goad them on to some action in the form of tax reform.

SENATOR DUMONT: You mean because that will be an election year.

ASSEMBLYMAN SCHLUTER: Yes, and they would have to elect to continue the tax.

SENATOR DUMONT: Now your bill appropriates \$150,000 for this commission. At a time when we're trying to get economy in the State, don't you think that also is a duplication of the appropriations made annually - and you're familiar with this - to the State Tax Policy Commission to do the same identical job?

ASSEMBLYMAN SCHLUTER: Senator, I'm well aware of the fine work done by the State Tax Policy Commission and I know you are a member of this and you have been in the past --

SENATOR DUMONT: I'm not looking for any bouquets, I'm just trying to hold the money down, that's all.

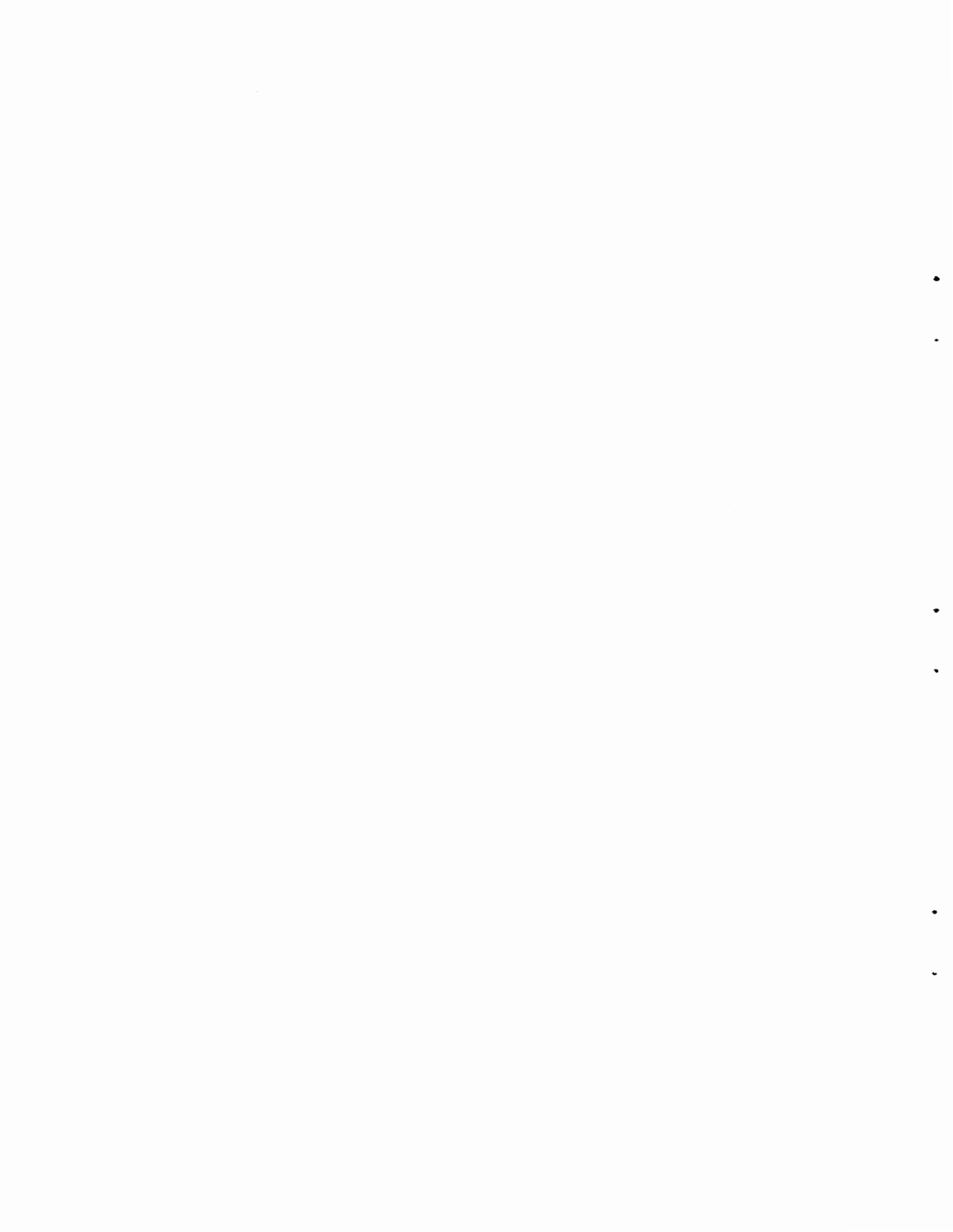
ASSEMBLYMAN SCHLUTER: This is an outside figure, it's the same figure, incidentally, that was included in Senator Rinaldo's bill. I think, though, that you have to have a certain amount of - I don't mean ceremony in that

sense but a certain amount of prestige and staff and many circumstances surrounding the work of the commission to help influence the people of New Jersey to support it, and I could imagine that it would take the form of open hearings, staff reports, money expenditures for a number of different things which would help in being able to bring about the deliberations of the commission and be sure that they were properly publicized across the State of New Jersey.

SENATOR DUMONT: Thank you.

SENATOR DE KORTE: Gentlemen, the hearing will be recessed for one hour at this point. Any witnesses who want to testify and have not already communicated with me, please sign this pad which I will leave here on the table.

(Recess for lunch)



AFTERNOON SESSION

ASSEMBLYMAN DeKORTE: Ladies and gentlemen, will you please take your seats. The hearing will please come to order.

Our next witness will be Joel Jacobson.

Mr. Jacobson, will you state your name and address and position for us.

J O E L R. J A C O B S O N: Assembly DeKorte, Senators Crabiel, Waldor, DelTufo, and Assemblyman Dorgan, my name is Joel Jacobson. I am the Community Relations Director for the United Automobile Workers, UAW, with 50,000 members in the State of New Jersey.

I have a high regard for the durability of Legislators but I must say I have concern for your patience as well. While I have submitted a rather lengthy statement, and I do stand on every word contained therein - I'm not going to read every word now but I will summarize this for you. I hope that will make it a little easier for you.

I will also try to avoid any lengthy discourse on points which have already been made, primarily by the League of Women Voters, in an attempt to avoid repetition there.

The UAW is opposed to A-416 and we were opposed to the original enactment of the sales tax when it first came before the Legislature.

We realize that huge sums of money are needed to eradicate the public squalor which envelops all of our cities and state urban areas. We find that today, as our nation's defense budget and military expenditures continue

their heavy drain upon federal tax resources, the plight of our nation's cities becomes even worse.

Left to their own devices, we find, as we find now in New Jersey, that the states seek methods of raising funds which are frequently economically indefensible and morally unjust. And it is our opinion that this proposal to raise the sales tax from 3% to 5%, as to enact it originally to 3%, is such an economically indefensible and morally unjust tax.

You heard the traditional reasons presented in opposition to the sales tax, the fact that it places the heaviest burden upon low income groups, in great detail by the League of Women Voters and, of course, we support those economic arguments and I will not bore you with any further amplification of them. I just want to emphasize, however, that insofar as we are concerned, the system is cruel when it maintains that a corporation executive who may earn \$100,000 a year pays the same rate of taxation as does a worker who might earn \$127 a week, or even be unemployed or even be receiving welfare assistance. The obvious injustice of such a tax is sufficient reason for it to be removed wherever it does exist.

Furthermore, the evidence and record show that wherever a sales tax is in effect it demonstrates a rather voracious appetite and, as you are doing now considering an increase in the percentage of the tax, I predict that within a year or two there will be a similar committee hearing a proposal to eliminate the exemptions on food and clothing,

because this is the nature of the sales tax - you continue to raise the rate and remove the exemptions.

There is one other point that I would like to make. For years I have been hearing New Jersey political leaders state - this was before the enactment of the sales tax - that we did not have a sales tax, and there was great pride expressed in this fact.

The blunt fact is that while we may not have had a general sales tax, we had excise taxes, a fancier name for sales tax. And of this current budget, that ends June 30 of this year, \$1,374,000,000, 70% - well, closer to 60% of the current revenue to provide for this budget is sales and excise taxes right now. And, obviously, the sales tax of \$275 million; the motor fuels tax of \$195 million; the cigarette tax of \$126 million; beverage tax of \$34 million; and for those who are so addicted, the pari-mutuel tax is a sales tax, they take it right off the top - that's why the daily double is a better bet, and I want to apologize for knowing that, - my point, however, is, roughly 60 cents of every dollar raised, under the current budget, is a sales tax. Now to compound on top of this an additional 2% increase is merely to make an already distorted tax structure even more inequitable.

I would like to present to you and refer very briefly to some of the charts contained in the testimony here, and ask you to look at these charts against the backdrop of the desire to raise the sales tax because these are the people who will be asked to provide the revenue.

The very first one, at the bottom of page 2, shows that roughly one-third of the people of this State, and particularly in the large urban areas, for whom ostensibly some of these funds will be used, are engaged in manufacturing industry. (For prepared statement and charts - see p. 139 A)

Chart No. 2 on page 3 demonstrates that the unemployment rate in the State of New Jersey hovered between 4 and 5 percent. That's always a nice statistic, but if you are one of the 4 or 5 percent it's not a statistic, it's a family tragedy.

Chart No. 3 shows that the average weekly earnings for people in this State range between \$125 or \$127 a week. Again I ask you to keep in mind that these are the people who will be asked to pay the sales tax.

And then I have an insert there to indicate figures from the Bureau of Labor Statistics as to how our worker is doing lately. And if you will just look at the year 1965, you'll notice that in gross earnings a worker was making \$95 and change but his real take-home pay was \$78.53; in 1969, five years later, it looks as if he has received a \$20 increase in his wages but in fact he is worse off today than he was five years ago. Again, these are the people whom you will be asking to pay this sales tax.

Now, again, the point I make about the regressive nature, and the point the League of Women Voters made about the regressive nature of the sales tax and how it hits hardest on low income groups. They will also be asked to pay the sales tax in New Jersey. In Newark, 215,000

recipients of Social Security, with an average take of \$111.00 a month. I heard somebody mention today that this sales tax is fair to those on Social Security. If that's fair, I'm a football star, and I assure you I'm not. You can see the great burden placed upon the recipients of Social Security.

Chart No. 5 shows the number of people receiving Old Age and Dependent Children public assistance. In the City of Newark alone, for example, 77,000 dependent children of families will be asked to pay the sales tax. Again I emphasize the regressive nature.

Chart 6 shows the Per Capita Property Tax levy indicating that Newark is among the very highest in the nation.

I emphasize these facts because we cannot stress too strongly the opinion that this distorted tax structure cannot sustain an additional distortion by the adding of 2% to the sales tax.

Now Governor Cahill, in his Inaugural Address mentioned the word "federalism" and I would like to dwell just a moment on that point because I believe the solution lies in this direction, and particularly in New Jersey.

Now there will be a chart a little later on to indicate to you that while New Jersey taxpayers contribute the 7th highest amount in federal income taxes - the 7th highest - we are 50th, absolutely dead last, in the amount of federal aid per capita returned to the states, dead last. And certainly there can be no greater justification for

looking to the Federal Government, and we look for you gentlemen to make the first move, and meaningful move, to see to it that this burden is assumed by the Federal Government.

Now just a few more statistics and I'll be through. Again I ask you to keep in mind the fact that the sales tax will be imposed upon people whom we're discussing. On top of page 7, the federal income tax revenue produced by New Jersey citizens, according to income classification is listed. And would you believe it, that under \$5,000 a year, people making less than \$100 a week, there were 683,000 income tax returns prepared and mailed to Washington producing \$169 million from people earning less than \$100 a week. And you see, as the charts continue, the figures broken down into four major metropolitan areas of our State, and you find there almost 400,000 taxpayers paying over \$100 million, again with incomes of less than \$5,000 a year. Now we are asking these people to sustain the additional increase of a sales tax.

And on page 8, or what should be numbered page 8, are the figures for the four major metropolitan areas.

So I repeat, to impose an additional regressive sales tax hike on top of this disproportionate complex is merely to blend an economic fallacy with a moral injustice.

Now the statement goes on to speculate what would happen if we could somehow eliminate the great waste and extravagance contained in our defense and military budgets. Now I realize that you gentlemen cannot with a wand do that but I suggest to you that the avenue for the type of relief

that is sorely needed in this State lies in that direction and we would hope that the Legislature would not serve in the role of shock absorber but rather a shock transmitter because if the share of the money paid by New Jersey residents, which has been allocated for defense and military appropriations, could be returned to the State, you have three very interesting possibilities of what could happen.

To briefly summarize, we could operate for one whole year without raising a single penny from any source whatsoever; you could repeal the existing 3% sales tax and expand social benefits substantially; or you could operate at the present level for five years without raising any additional funds.

Now just one last point. Very often I've been asked, as a representative of labor, "Why are you complaining about the expenditures in the military budget, after all, doesn't it mean employment to your people?" And I have two responses to that. First, the American worker does not want to have his affluence based upon the blood and perspiration of men who are dying in the war, some of which question the validity of it - this is another subject; number two, as far as New Jersey is concerned, I have before me the first annual report of the Department of Treasury of the State of New Jersey dated April, 1968, and paragraph 1 of the summary says: "As of year end, 1966, about 89,500 persons or 3.2% of the State's civilian labor force were employed as a direct result of defense spending."

So, in short, we send an awful lot of money to

Washington, we get very little back; our civilian labor force is hardly brushed by defense industry; our people are sustaining tremendous economic reversals as the result of the bite of inflation; and on top of all of these headaches, which I can delineate with tears in my eyes, we're now asked to sustain a 2% increase in the sales tax.

In light of these facts and the imperatives faced by the decision-makers in these volatile times, the UAW is opposed to A-416 or to the levying of any new tax program in the State, until the wasteful and extravagant federal defense and military appropriations are eliminated and these funds are returned to the State to meet the monumental needs of our urban population in the fields of social welfare, education, employment, housing and other related areas.

Thank you very much.

ASSEMBLYMAN DeKORTE: Any questions, gentlemen?

SENATOR DEL TUFO: I don't know whether this is germane or not but it's a point that Senator Dumont touched on before.

I'm very much interested - at the \$200 policeman dinner where Paul Steelman, one of the leaders of industry came out for off-track betting. What is the feeling of labor on legalizing off-track betting?

MR. JACOBSON: To my knowledge there has never been a formal position taken by labor. I can reflect you the sentiment I hear. There are lots of people who believe that if you have off-track betting you can eliminate the take

from the mob, eliminate illegal gambling. I, for one, question whether that can be done, but that is the feeling of some.

The second thing, there are others who regard this as sucker taxation and that the fellow right now who has difficulty getting a bet down or inability to get a bet down when he can walk on the street and put a bet down the low income group, in effect, will also be taking the rap. And the phrase "sucker taxation" I think is appropriate.

Now this may not necessarily be a popular position but as a moral matter, I, as an individual, while there's no union position, would be opposed to off-track betting.

SENATOR DEL TUFO: Well, the attitude of Steelman on this was that it would not be a sucker bet. He felt, talking as a representative of industry and being interested in the City of Newark's plight, that it's not fair that where a man can be catered to with liquor and food and place a bet, and a person that can't go to the track - it's illegal for him to do it. I just wondered how labor felt.

MR. JACOBSON: We have other more abnormal examples of class distinction worse than that one. I would suggest that Mr. Steelman approach those first, before off-track betting.

SENATOR DEL TUFO: One more point. You ask us to put pressure on Congress. The only think we can do in the Legislature is pass resolutions memorializing Congress to do something. I feel, and you know what respect I have for your group and all the other labor groups, that your

group has a strong vehicle to put some pressure on the federal government.

MR. JACOBSON: That's true, Senator, but somehow we're regarded as advocates, and if we could get the fair-minded, impartial members of the Legislature to assume a more active role, it would certainly buttress our arguments.

SENATOR DEL TUFO: Well, if resolutions can do it, memorializing, we'll do it.

MR. JACOBSON: Fine.

ASSEMBLYMAN DE KORTE: I have't been characterized as fair-minded in a long time, Mr. Jacobson. That's appreciated.

Assuming that your - and I think a lot of people share your opinion that real help to the problems in New Jersey awaits some further help from the Federal Government, but assuming that's true and that help is not forthcoming before July 1 of this year, 1970, what do we do then? what program do we cut? what do we do to get along until that's forthcoming?

MR. JACOBSON: I think that's why there's great validity to the argument and the presentation for a tax convention because what you're doing now is wrong, in my opinion. It's wrong to put the burden on the little guy because it's the easy thing to do. And if there is this great urgency - and by the way, we knew that this budget was going to expire June 30, 1970, we knew this several years ago -- if there is this great urgency, there must be more intelligent, rational attempts to do it rather

than the patchwork, crazy-quilt operation which has been our traditional taxation in this State. I would support a tax convention for that particular reason.

ASSEMBLYMAN DE KORTE: But you wouldn't support cutting any of the existing programs we have, in any massive way, would you?

MR. JACOBSON: No, I don't make that argument. I make the argument that there are other alternatives for raising revenue.

ASSEMBLYMAN DE KORTE: Do you support an income tax as an alternative?

MR. JACOBSON: There have been some who support an income tax, certainly as a more fair method of raising revenue than the sales tax, but I must confess to you, now I've gone through some sort of a transition in this thinking and I speak my own personal view and I can reflect very faithfully the right of labor in this respect. I have reached the point where I'm ready to lead a taxpayers' revolt. We have had it. And it's not so easy to talk in terms of philosophy of an income tax over a sales tax, even though I believe in it, when you've reached the point that you're just exhausted and your resources are such that you can't make ends meet.

ASSEMBLYMAN DE KORTE: Well I gathered from your testimony that you'd be against any new form of taxation at this time.

MR. JACOBSON: Is it the Chinese proverb that in order to take a voyage of a thousand miles you take one

step? Well, we're asking you to take one step, that this Legislature do something to impress upon the Federal Government that this is not just an academic exercise in taxation theory, the money is needed.

ASSEMBLYMAN DE KORTE: Yes, but to impress that upon the Federal Government, do we cut out medicaid, do we cut out aid to education, do we reduce materially our services in the field of law and public safety? What do we cut on that list that brings us to a \$268 million budget gap? What do we remove?

MR. JACOBSON: I said, I don't think you should cut anything but I don't think you should do what is apparently contemplated here, to put the burden on the shoulder of the guy who can least sustain it.

ASSEMBLYMAN DE KORTE: Well, I can accept the argument that there may be a fairer form of taxation than the sales tax but if you tell me that you won't support any new form of taxation and you tell me at the same time that we shouldn't cut our expenditures in any material way, and we assume that aid is not forthcoming from the Federal Government before July 1st, then I don't know what we do. Constitutionally, we have to balance this budget.

MR. JACOBSON: I understand that but, sir, you'll also have to balance it next year and the year after that, and unless there is some action taken now, unless we take that first step at some point - and I ask you to take it now - we're going to be faced with this problem for life.

ASSEMBLYMAN DE KORTE: Well, what is the first step,

just to stop right here and not do anything and let these programs go down the drain?

MR. JACOBSON: No. The first step is not to pass the sales tax. The second step might very well be to have a tax convention and consider where we're going and to develop a program that will be more equitable. At that point I feel confident that the more rational voices in this state will come to your support. In my opinion, the more rational voices in this state are opposed to this particular program.

ASSEMBLYMAN DE KORTE: But, specifically, you have no alternative revenue-raising measure that you would support at this point.

MR. JACOBSON: Not at this point. As I say, my economic patience and my resources have been exhausted.

ASSEMBLYMAN DE KORTE: Well, so have those of the State of New Jersey and that's the problem. And the situation we postulate is not an academic one. We sit here coming up to the first of July of 1970 with a \$268 million budget gap, not allowing anything for surplus, and we have to raise that money somehow or cut those programs somehow.

MR. JACOBSON: But, sir, may I repeat, what you say is absolutely true and yet we are part of this nation. My heart bleeds when I see the waste on programs that I don't even want to discuss now because it's not germane, that I think are totally futile, absolutely unnecessary and sometimes morally wrong, - the billions that are wasted while we sit here and struggle for pennies is pitiful and somebody should

do something about it.

ASSEMBLYMAN DE KORTE: Mr. Jacobson, do you know of such programs operated and funded by the State? Are there any that we're running that are totally wasteful, that ought to be eliminated?

MR. JACOBSON: I was referring specifically to our defense and military appropriations.

ASSEMBLYMAN DE KORTE: Well this is our problem. You're not in Washington now nor are we.

MR. JACOBSON: That's right.

SENATOR WALDOR: Mr. Jacobson, Joel, after many years of knowing you and discussing different questions, wouldn't you honestly and objectively say that all of the remarks that you have delivered to this Committee today were purely an academic exercise, because basically what you're saying to us, stop the war in Vietnam and you'll have enough money to fund all of the programs in the State of New Jersey, and there isn't a person, I'm sure, in the United States of America who doesn't agree that if we were to receive the funds, if the war in Vietnam were over, that this might be true. But the point is, as the Chairman of this hearing has indicated, we are faced with an immediate problem, whether the immediacy is March or July or December or next January, or whenever it may be. And I would like to know very frankly, in your position here representing 50,000 workers of the UAW, without your going into a philosophical disclosure about what your feelings may be about the war in Vietnam, what do you propose as a viable alternative to

raising the sales tax without expostulating the merits of the war in Vietnam or whether the defense and military budget are excessive or anything of that nature. We're here today, the League of Women Voters, whom you've mentioned several times, have indicated that they have an alternate proposal - they don't want a sales tax and you've indicated the same reasons for being opposed to it, they want an income tax, and I can understand this, and I appreciate the fact that they come before us, whether I agree with them or disagree with them, and say we should have a state income tax because it will raise more money and won't affect the low income worker in the State of New Jersey, but what, in effect, are you saying? Are you saying, as the Chairman has indicated, that we are to stop all programs, call a tax convention, await the possible results of a recommendation from the tax convention, that we have a sales tax and then we're back where we started except we don't have the funds to operate with in the interim? I don't understand what the viable alternative is to the income tax or to the sales tax or to anything of that nature, and I would like to ask you what is your position?

MR. JACOBSON: I find I always respond emotionally to your eloquence because --

SENATOR WALDOR: I know. We've gone through this on many occasions before. Go.

MR. JACOBSON: I think I can summarize my position as follows: You have proposed, or there has been proposed an increase in sales tax. This is wrong. I'm opposed to

that. I understand you have a budgetary deadline of June 30, 1970 for your budget. There are other alternatives to raise funds. A suggestion has been made that we bring the best minds of the State together to develop a fairer system than the alternative you have proposed. I think a tax convention - or I've heard a good deal about a blue ribbon commission -- if I could be so humble as to suggest, I would suggest that instead of having a blue ribbon commission you have a blue collar commission, you might get a little more sense out of it. There are other alternatives that can be developed. And I am saying also, New Jersey is part of the United States. This is no philosophical argument to me, this is --

SENATOR WALDOR: But we all know that, we all agree with that.

MR. JACOBSON: Your agreement is delightful, sir, but there is nothing being done about it.

SENATOR WALDOR: Well, are the 50,000 workers of UAW doing anything about it? Are the millions of workers of UAW doing anything about it in Washington or any other place? We are. We're trying to. Now you come before us and tell us that Governor Cahill mentioned federalism in his talk. Of course he did. And there isn't an elected official in this State or any other state that doesn't believe that the Federal Government should come in and fund some of these programs or all of them. What are you saying? You're not saying anything. But I'm saying to you, sir, and I say this most respectfully, that, as

Senator DeLufo indicated, you have an organization. You've come here to testify today on an increase in the sales tax which you say is no good, call a tax convention, of which we don't know what the results would be, and in the meantime we have programs to fund by June of this year. You're telling us the Federal Government should fund these programs. We agree with you. If that's your recommendation, I know that I speak for a great majority of the Senators when I say they agree, I know I speak for the Governor when I say he agrees. Now, where do we go? Do we go down to Washington tonight and tell them, you better give us the \$280 million that we need to fill the budget gap or just what is your suggestion that this Committee, facing the realities of life on a day to day basis, facing the realities of a budget on a day to day basis, what do we do, where do we get the money from? Tell us that.

MR. JACOBSON: I almost feel tempted to ask you to repeat the question, but I'll try to answer it.

SENATOR WALDOR: I'll have the stenographer read it back.

MR. JACOBSON: Senator Waldor, you talk about the realities of life and I tried very hard to present something which is not highly partisan. Well, I tell you, the fact is it is partisan. And as a member of one particular party with an administration in power, your voice is listened to with a great deal more attention and your voice has a great deal more --

SENATOR WALDOR: Was yours for 16 years with a

MR. JACOBSON: Thia may be totally uncharacteristic, but I don't think I'm qualified to discuss the extent of the budget for the State operation.

SENATOR CRABIEL: That's all.

ASSEMBLYMAN DE KORTE: You are aware of what the total budget of the State of New Jersey was ten years ago, aren't you?

MR. JACOBSON: Yes, sir.

ASSEMBLYMAN DE KORTE: That there has been about a six hundred or seven hundred percent increase in the budget since then? Do you know what kind of a surplus we carried in our budget last year?

MR. JACOBSON: Oh, I know about the advance tax collections, yes.

ASSEMBLYMAN DE KORTE: Any other questions?

Thank you for coming.

MR. JACOBSON: Thank you.

ASSEMBLYMAN DE KORTE: Mr. Mark Jones

M A R K M. J O N E S: Mr. Chairman, I appreciate the opportunity to come here and perform a mission as a self-appointed agent of the silent majority.

It looked to me as if this situation was being set up from the standpoint of getting the cart before the horse and stampeding it through, and I thought that at least someone should interpose a violent dissent to the whole procedure.

I have had to do with tax matters for 50 years, mostly in Washington, and I would say that it is difficult

for one who reads the papers and listens to the radio to account for this hearing. This is because the purpose here is to finagle a \$300,000,000 tax increase into law, but with complete disregard for the impact of such finagling. One illustration of the effects was referred to by the President of the United States, in his Monday night address, when he pointed out that inflation was caused by government spending and that a result of it was an average increase of \$200 per month in the cost of living per family over the decade of the sixties.

However, at that point, one has only started. In addition to the \$300 million, the administration must accept the responsibility for another \$200 million that will have the same effect as taxation. It is the 50 percent increase in Blue Cross premiums which 3,500,000 Jerseyites must pay from May 1st on. Thus our merry political spending debauch will be given a further infusion of inflationary adrenalin, probably exceeding \$500 million.

Bear in mind that this colossal demonstration of incompetence and don't-give-a-damn-for-the-people attitude is being staged in open defiance of the policies of the Federal Government and the President of the United States. It presents a brazen challenge to the President's anti-inflation appeal on television Monday night, and is contrary to all the dictates of mathematics and common sense. If you go ahead with it, you gentlemen of the State Government will be proceeding as if you think that New Jersey is no longer a part of the United States.

I appear to oppose the tax bills pending before this Committee for several fundamental reasons. The first is that the policies they express would betray and repudiate most of those who supported and elected Mr. Cahill to office. Second, they would put the Republican Party in the position of falling into a trap set by their Democratic predecessors. Third, they would express scorn and contempt for the taxpayers of New Jersey, in that they would show no regard whatever for the beating they are taking from labor unions and politicians. Fourth, they would implicate members of the Legislature in a violation of sound procedure (putting the cart before the horse by taking up taxing before they know what they are doing) which would be so fundamentally against the public interest as to threaten the future in office of many of them. But most important of all is the fact that no concern whatever is shown for the inflation now threatening the nation. If you go ahead, you will be disregarding entirely the anti-inflation policies of the Federal Government.

It has been a long time since there has been such an amazing exhibition of contempt for the people on the part of politicians. On the one hand we had a campaign in which a great majority of the voters were misled into believing that Mr. Cahill understood the situation and might know how to deal with it in the public interest. On the other, and despite what was said and implied during the campaign, it was but three weeks after the election that the people were proved to be wrong about Mr. Cahill's insight, and had the question of good faith thrown in their faces. It was on November 21, 1969, that the first press reports we have been able to locate appeared, to indicate that there might be a colossal double cross of the people. The \$300,000,000 scheme not only was to follow the crazy spending of the Democrats, but to outdo them and make it bigger and bigger. Although

the double cross was put forward slickly and apologetically, it smelled of hypocrisy and looked like a juvenile tongue-in-cheek stunt. It emulated the standard technique of the Democrats. They have used it repeatedly ever since the Roosevelt brand of political duplicity became the standard for U. S. politicians. Noteworthy in this respect was the constant repetition of the statement that we were to have a 2 percent increase in the sales tax, when in reality it would be a 40 percent increase.

The crux of the situation is the fact that the United States is at the peak of the worst inflation in its history. If you go ahead, you will ignore this. You will ignore the fact that the principal cause of this inflation is the accumulated effects of crazy spending by the Federal, State, and local governments of the United States over a 36-year period since 1933. You will ignore the fact that this is the first noteworthy inflation in the U. S. economy, the cause of which is mainly in the public sector; viz., government spending. You will ignore the fact that most government spending is nonproductive overhead expense of the economy. You will ignore the fact that every addition to taxation increases inflation, increases prices, and increases the misery inflicted upon the people of the country by political leaders who evidently don't give a damn. Thus you will spread more inflationary gasoline on an already raging conflagration of inflation, in disregard of the fact that the principal cause of this inflation is utterly unjustifiable government spending and its counterpart - utterly irresponsible tax increases.

It is important for any who are concerned about realities to ponder the astounding figures which picture political spending insanity in the United States since 1933. In a mere 36 years (1933-1969) the Federal Government spent \$2,675 billion (two trillion, six hundred seventy-five

billion dollars). State and local governments spent around \$940 billion - just a little less than one trillion (one thousand billion dollars). Thus, we confront the fact that the causes of most of our difficulties are the accumulated adverse consequences of a governmental overhead expense for 36 years which aggregated \$3,665 billion (three trillion, six hundred sixty-five billion dollars)!

Studies made by the most reliable authorities as to the maximum amount of overhead expense which as a rule can be carried by a national economy without accumulative degeneration, is about 23 percent of the national income. In the case of the United States, our government overhead expense now approaches 60 percent. It has been too high for more than 30 years. Is it any wonder that there are all sorts of criticisms, difficulties, and resistance?

All you need to know to measure how crazy it is, is one consequence of such a prodigious demonstration of economic illiteracy and incompetence. It is that the politicians who have been running the country for the past 36 years have destroyed 77 percent of the value of our money. That is why the purchasing power of the dollar is now down around 23 cents compared with 1933. They even change the statistical indexes to camouflage it.

This represents the point of departure at which you take up the fantastic proposal seriously to consider about \$300,000,000 of mandated items which are supposed to call for the increase in taxes. Every one of these items is open to question. The word "mandate" is open to question. It is just a political lawyer's mumbo jumbo. What is legislated can be de-legislated, especially when you face the fact that to continue it would pour more inflationary gasoline on the raging flames of political inflation.

But then there is more. How can you disregard the \$200,000,000 increase already authorized for Blue Cross by the State Insurance Department,

to become fully effective May 1, 1970? The Administration is stuck with it, because the responsibility automatically is assessed against whoever is Governor when it goes into effect.

And then there is still more. It is now becoming clear that what is probably the number one cause of this inflation is spending on education. The Red Liberal neurotics have made a sacred cow of education. It is now the outstanding epitome of economic illiteracy and neurotic madness in the country. To ignore this, as pressured by the Trenton \$2,000,000 teachers' lobby and Bateman fanatics, would pour even more high octane fuel on the raging flames of inflation. A cruel hoax is being perpetrated on the fine school teachers of the country by their political leaders, in disregard of the \$200 per month increase in the cost of living which has already been put over on them (and the rest of us) in the past ten years. To reduce teachers to the same level as members of unions who have become virtual prostitutes, tyrannized by a mob of economic illiterate panderers misnamed "labor leaders," is a high crime. When will those pushing the madness realize that such hugger-muggery merely exploits economic illiteracy and wishful thinking? When will they realize that as a rule for every five dollars that may be added to income, at least six dollars will be subtracted, although invisibly, through the effects on the cost of living?

If the members of this Legislature are responsible representatives of the people of New Jersey, they will have to recognize the situation so dramatically put before the nation on Monday night, January 26, by President Nixon. To go along with the pending proposals would not mean just \$300,000,000 but, along with the increase in Blue Cross rates, would amount to a tax increase of more than \$500,000,000, the effects of which would be sabotage of the national economy.

The problem which confronts these committees is not a tax problem. It is a problem of economy - of prudent spending of other people's money. It is a problem of pruning, of cutting out the political dead wood accumulated for years, and applying some intelligence to priorities. The days of "More, always more" are over.

The total budget of the New Jersey State Government for the next fiscal year should be no more than its expenditures of the current year, plus increases in income reasonably to be expected, and without tax increases or new taxes.

It is time to stop the terroristic tactics of the State Education Lobby, and create a means to determine why education is not worth what it costs, and how to cut the squandering on public school education at least 40 percent. The need for something like this was indicated by President Nixon in his Monday night broadcast.

Gentlemen, the situation before you was well described by President Nixon when he referred to the wrong sum, for the wrong purposes, at the wrong time.

To this I would add that you have the cart before the horse. What needs attention now is crazy spending. Taxes come second. Moreover, there are too many things wrong about New Jersey taxes to open that can of worms without the opportunity to be intelligent about it.

Thank you.

ASSEMBLYMAN DE KORTE: Thank you, Mr. Jones.

Any questions?

(Discussion between Chairman and Mr. Sredzinski)

Mr. John Connor, Jr., please.

J O H N T. C O N N O R, JR.: Mr. Chairman and members of the Committee, I am going to make a statement on behalf of Chairman Salvatore Bontempo of the Democratic Party.

We are on record, as you know, opposing the proposed sales tax increase. We did in the last campaign and we affirm that stand.

In point of fact, as has been pointed out, there is no deficit until the next budgetary year. The present problem, as stated by the new Governor, results from the fact that, one, the Republican-controlled Legislature enacted programs which they did not properly fund at the time; two, we have this extraordinary one-shot speed-up of tax collections giving you a balanced budget during the election year, but simply adding another \$100 million to the deficit for the next year.

It is our belief that, before there are any increases in the sales tax, we should examine, under the gun, the present inequities in the New Jersey tax structure and that these inequities should be eliminated. Not the least, of course, of these inequities is the sales tax itself because it does hit those who are least able to pay hardest. We do advise the tax convention and we do advise the adoption of Senate Bill 413 which would call a convention on a bipartisan, statewide basis having all delegates confirmed by both

houses of the Legislature.

Just as urgent as the need for new revenue in this State is the need to ease the burden on the backs of the property owners throughout the State. We have a very excessive reliance in New Jersey on the local property tax and this results in many inequities, major among them are the cities of the State which, left to their own financial devices as they are, are entirely unable to cope with their problem.

Another group that's affected increasingly is the retired citizen who is often forced out of the home in the community in which he has lived for years because of the excessive property tax.

These two categories, of course, are people with low income or in some cases they're off the income tax charts entirely.

The combination of an excessive property tax and an increased regressive sales tax will mean that this State ranks first in placing the burdens of government on all levels on the backs of those least able to pay. We note also the unwillingness of the Legislature to enact an increase in the bank stock tax which our Governor Hughes proposed. And we do feel that if this increase goes through the people of this State will eventually wake up and demand, we hope at the polls, some form of fair tax system.

That is the conclusion of my statement.

ASSEMBLYMAN DE KORTE: Thank you. Any questions of Mr. Connor?

SENATOR DEL TUFO: Mr. Connor, maybe this is more of a statement, but it's so interesting to see the Democratic Party and your Senate Minority Leader ask for a tax convention. How lonely it was for me last summer. All I needed was to pick up three votes, for the tax convention, in the Senate and we would have had a tax convention, and I pleaded with the Democratic Party until three o'clock in the morning and I couldn't get the three votes that I needed but now the Democrats are pleading for a tax convention.

MR. CONNOR: Now you have your chance.

SENATOR DEL TUFO: But the irony of it is, when we had the opportunity the Democratic Party failed us.

MR. CONNOR: Well, there are a variety of proposals on the table and the bill explained by Mr. Schluter. There are other proposals. You can have both a re-examination of the inequities and cope with the current crisis. We are not trying to cancel postponement of the crisis, we feel that it should have been dealt with sooner, but we do think that a basic re-examination is called for. And this is what would be accomplished by a tax convention and we feel there are various proposals on the table. We like Senate Bill 413.

SENATOR WALDOR: Mr. Connor, you indicated, or I thought you did, if I heard you correctly, by saying in your closing remark that you hoped this would be accomplished by people waking up and demanding fairness in our tax system - will be accomplished at the polls. Am I quoting you correctly or did I get the meaning of your

remarks correctly?

MR. CONNOR: No, you didn't get the meaning correctly.

SENATOR WALDOR: That isn't what you said?

MR. CONNOR: No. We don't hope that there will be a two year delay in the people getting what is fair in the tax system. We hope that there will be very soon a re-adjustment of the tax burden in the State, much before the elections of 1971. We feel, however, that if there is no examination of this question in depth the public will be cognizant of it by the fall of 1971.

SENATOR WALDOR: When they go to the polls, as they were cognizant of it this past election.

MR. CONNOR: I would not hope for the defeat of any of the gentlemen on the Committee.

SENATOR WALDOR: No, I'm sorry. But you are aware the public spoke out in rather a loud voice concerning a sales tax vis-a-vis the income tax in this last election, are you not? Or did you not interpret it that way?

MR. CONNOR: I wouldn't interpret it that way, no.

SENATOR WALDOR: Let me ask you this, sir, --

MR. CONNOR: I didn't mention an income tax but this, of course, would be one thing to consider in a convention.

SENATOR WALDOR: Yes. Well, I would like to ask you this if I may, Mr. Connor. Do you have any specific recommendations insofar as solving the present budget gap, if you recognize that there is one, with respect to the

solution of that question which is basically the reason that we are here today? Is there a recommendation that you have other than the calling of a tax convention?

MR. CONNOR: Well, from my own view, I would note that in the Federal budgeting the burden for revenue-raising purposes between corporate and individual is fifty-fifty. Now, in that instance, of course, the individual is a progressive, graduated, based on ability to pay income tax. In New Jersey the burden is 60 points. The corporate part is only 40. Added to the fact that the burden on the individual is not a progressive tax but the regressive sales tax, I think you could definitely argue that industry is not pulling its weight in New Jersey. And I think the bank stock tax increase was aimed at that.

SENATOR WALDOR: Well, I would like, if you can, to have you answer my question. Are you here testifying today in opposition to a sales tax and recommendation of an income tax? Is that what you're saying?

MR. CONNOR: No, I wasn't speaking to a personal income tax.

SENATOR WALDOR: No, I'm asking you, are you advocating the replacement of the sales tax with an income tax on behalf of the Democratic State Committee?

MR. CONNOR: I'm advocating a re-examination in depth of our tax structure. If in 1966 we instituted an income tax we'd be at a different point in time. The fact is we put in a 3 percent sales tax with certain broad exemptions. I think the matter of exemptions, the matter of

the degree of sales tax, the matter of an income tax, should all be studied vis-a-vis the present inequities in the property tax.

SENATOR WALDOR: But you have no recommendations at this time along those lines on behalf of the group which you represent, the Democratic State Committee; you are not recommending an income tax.

MR. CONNOR: I am not recommending an income tax.

SENATOR WALDOR: You are not, is that right.

MR. CONNOR: Yes.

SENATOR WALDOR: Thank you.

ASSEMBLYMAN DE KORTE: There is no implication in your statement, Mr. Connor, that a progressive income tax is to be favored as opposed to what you characterize as a regressive sales tax?

MR. CONNOR: There was an implication there, yes. And our former Governor Hughes has advocated an income tax and I think, for myself, an income tax would probably be the logical solution to the situation. But I think and honestly believe from an analytical viewpoint that the fiscal system in New Jersey is so complex at this point and there are so many inequities and imbalances in the relative burden that you really must examine it, from top to bottom, and come up with a solution that speaks to all of these problems, the problems of exemptions, the problems of the cities - Newark, the second highest property tax in the nation; all of these areas must be considered because any other course would be irresponsible. And I think a one-shot increase

in the sales tax is a stop-gap solution. But, again, it's irresponsible because it doesn't speak to all the problems.

SENATOR WALDOR: This condition didn't arise since January 20th of this year, did it?

MR. CONNOR: This condition is the result of the unwillingness of the Legislature to properly fund programs over a long period of time and to speak to the real problems, the financial problems of this State.

SENATOR WALDOR: Thank you.

ASSEMBLYMAN DE KORTE: How, in your judgment, could the Legislature have properly implemented programs?

MR. CONNOR: Well, I think in many states it is a simple question of an income versus a sales tax, but in New Jersey we do have this unusual reliance on property tax which is comparable to the federal situation before we had any federal income tax - the rich can do what they want and the poor could have none of it, and that's how our community is run. But it does seem to me that -- I've forgotten the question.

ASSEMBLYMAN DE KORTE: The question is, what did we do wrong, what would you have done if you had been doing it?

MR. CONNOR: What we've done wrong is to fail to supply on a State basis revenues over a long period of time, thus forcing the municipalities to increase property tax until it got all out of proportion. New Jersey does collect less per capita than any of the states in the union. I think this makes the point farther.

ASSEMBLYMAN DE KORTE: The thrust of your testimony is that the State should be taking in more money.

MR. CONNOR: The thrust of my testimony is that over a long period of time, specifically since World War II, the State should have been taking in relatively more money.

ASSEMBLYMAN DE KORTE: Then at this point too the State should be taking in relatively more money, is that correct?

MR. CONNOR: Oh, at this point too we are faced with a crisis.

ASSEMBLYMAN DE KORTE: I'm not sure that was totally responsive, but all right, Mr. Connor.

Any other questions?

SENATOR CRABIEL: Mr. Connor, will you point out to me where in your statement any mention is made of an income tax?

MR. CONNOR: Nowhere.

SENATOR CRABIEL: I want that very clearly understood that I heard nothing about an income tax. Someone is putting words in his mouth.

ASSEMBLYMAN DE KORTE: No one is putting words in anyone's mouth.

SENATOR WALDOR: You asked the State Treasurer and he didn't mention many of the things that you questioned him about.

ASSEMBLYMAN DE KORTE: Nobody is putting words in anybody's mouth. I'm sure Mr. Connor is capable of preventing people from putting words in his mouth.

Thank you, Mr. Connor.

MR. CONNOR: Thank you.

ASSEMBLYMAN DE KORTE: I will now read the list.

(Discussion between Chairman and Mr. Sredzinski)

James Neilland, please.

J A M E S M. N E I L L A N D: Thank you, Mr. Chairman. My name is James M. Neilland. I am the Executive Director of New Jersey Food Council. The Food Council represents Garden State food retailers with a combined annual sales volume of \$2,600,000,000, or about 86 percent of the food purchased by residents of this State. I am here today to testify on behalf of these retailers.

There seems to be little doubt that the forthcoming budget for fiscal year 1971 will have a deficit ranging upward to \$300,000,000.

Obviously, some form of increased taxation is necessary if we are to erase this deficit. New Jersey food retailers, as in the past, are prepared to accept the wisdom of the Administration and the Legislature in determining the basic form of tax increase.

As a matter of fact, food retailers, traditionally, have been overly cooperative and overly generous and, as a result, excessively taxed.

In 1966, the Legislature arbitrarily enacted the Retail Gross Receipts Tax, a special assessment levied only upon retailers, despite the fact that they pay all other taxes imposed upon other corporate residents of the State.

Not only is this tax an additional tax for retailers, it is a tax which has no relation to a retailer's earnings or to his ability to pay the tax. The firm operating in the red in any given year is required to pay the same amount of tax as though he had earned normal profits.

Strangely enough, a sizable majority of the Legislators who enacted the Retail Gross Receipts Tax have been perfectly willing to admit that the retail industry has been singled out for an unjust and inequitable tax. The rationalization appears to be:

"Even if the tax is passed on to consumers in the form of higher prices, it will not bankrupt anyone."

Many, who recognized the injustice, pleaded with the retail industry to bear with the injustice until such time as a new broadbased tax is enacted or until the sales tax is increased.

It was the same 1966 Legislature which enacted the State Sales Tax.

Again arbitrarily, the Legislature appointed New Jersey retailers as the state's unpaid sales tax collectors. Parenthetically I may add, it wasn't taken as an honor.

Confronted with cost estimates for the purchase of new equipment, the printing of tax charts, revision of bookkeeping procedures and the training of personnel to assure compliance with the law, legislators from both sides of the aisle and administration officials again expressed wholehearted sympathy with the protests of injustice. But, here too, the retailer was asked to wait for remedial action, which was sure to come with the enactment of a new broadbased tax or an increase in the sales tax.

Mr. Chairman, Members of the Committee:

New Jersey retailers have lived with these flagrant displays of injustice for nearly four years.

For many months they have recognized that 1970 would be the year for the necessary new taxation referred to above.

For many months they have lived with the anticipation that 1970 should be the year these injustices are terminated; the year that they would be elevated from the rank of second-class citizens.

For many months they have anticipated that a simple statement of fact, clearly illustrating the years of injustice, would result in the long-promised remedial action.

And, remedial action cannot be delayed. Even the strongest corporations in the nation, faced with soaring inflation, have had to squeeze pennies and nickels just to stay in the black. To meet competition -- and no industry is more competitive than food retailing -- most firms have had to absorb cost increase piled upon cost increase to avoid pricing itself out of business.

Let me assure you gentlemen, nothing more can be absorbed.

Let me assure you with equal vigor, very little more can be passed on to our customers.

It is now 1970. In just a few short weeks, the anticipation experienced by New Jersey food retailers has disintegrated with the introduction of the bill you are considering today. Not only does it fail to end injustice to retailers, it compounds this injustice.

The new tax percentages will require new bookkeeping procedures. New tax charts must be printed. Employees must be retrained for the higher rates, and, in some cases, for the changes in exemptions.

And added to all of this, this new measure again singles out the retailer for a special tax upon his advertising circulars, a service upon which his customers depend.

Let me assure you, gentlemen, that the weekly circulars purchased by retailers for distribution to their customers are not a source of profit. They are, however, absolutely necessary to satisfy the needs of their customers and as a defensive and protective measure to meet competition. If the tax upon this material goes into effect I cannot say to you that the circulars will be discontinued. On the other hand, I must repeat my firm conviction that this added cost cannot be absorbed by food retailers and must be passed on to our customers.

Let us briefly sum up the total costs of New Jersey's inhumanity and injustice to its retailers:

Minimum annual cost of the Retail Gross Receipts Tax for 1970 is estimated to exceed \$4 million, paid only by retailers.

Minimum annual cost for retailers to collect the present Sales Tax is estimated at \$14,300,000.

The minimum annual additional cost to collect the new tax rate - and this figure, I will concede, might be inflated because we have not had the time to really assess its impact - \$5 million.

The minimum annual cost of advertising material tax, \$10,700,000, based on the State's own estimates.

The total estimated cost to the retailer, \$34 million annually, a cost borne by no other corporate resident of the State.

Gentlemen, at this early stage I can only speculate that probably as much as 30 per cent of the advertising material tax will be assessed against food retailers. But even if the figure is closer to 50 per cent, the injustice being practiced and proposed in this state is costing the state's food retailers an estimated \$15,500,000. annually.

Mr. Chairman, members of the Committee:

I am not here to ask for special treatment for the state's retailers. I ask for equal treatment for them.

If New Jersey, truly, is about to enter into an era of excellence, we will do so shamefully and hypocritically unless action is taken and taken now to relieve these unfair burdens and end this injustice to retailers.

Because this committee's current deliberations do not include consideration of the Retail Gross Receipts Tax I will table any further comments concerning it until a later date.

However, before the bill under consideration leaves your hands I must urge you to accept the responsibility to make two absolutely vital amendments.

1. The measure must contain a provision permitting retailers to retain three per cent of sales tax collections to partially offset the costs imposed upon them by the tax.
2. Section V. on page 10 of the bill must not be deleted as is presently proposed.

If you accept this responsibility, New Jersey food retailers and thousands of other retailers will be able to share in the equal justice we desire for all our citizens.

Gentlemen, it is my understanding that during the course of your hearing you will be hearing from other representatives and spokesmen for retail industries. I would like you to know, and for the record, that all the remarks I've made here today are completely endorsed by the New Jersey Lumberman's Association which cannot be represented here today.

Thank you.

ASSEMBLYMAN DE KORTE: Thank you, Mr. Neilland.

Any questions of Mr. Neilland?

SENATOR DEL TUFO: I don't know whether I understood you correctly, the bottom of page four - The measure must contain a provision permitting retailers to retain three per cent of the tax collected - in other words, you only want to turn over two percent to us?

MR. NEILLAND: No, no. Three per cent of the tax dollar, not three per cent of the sales. For every dollar of tax collected three cents should be retained by the retailer.

There is a bill in the Senate, Senator Dumont's bill, which would propose one percent. I'm sure this would cover the costs of some of those retailers.

I would like to point out that because of the nature of the New Jersey sales tax, which has many, many exemptions, the difficulty that this imposes upon a retail food operation, which has thousands of items taxed and thousands of items untaxed, - this considerably adds to the cost imposed upon the food retailer, as I'm sure Mr. Lehman, one of your scheduled

speakers, would agree. The retail auto industry has a sales tax imposed on all of its products and services and this makes bookkeeping tremendously easier.

ASSEMBLYMAN DE KORTE: Thank you for coming in.

MR. NEILLAND: Thank you for having me, gentlemen.

ASSEMBLYMAN DE KORTE: Robert Woodford, New Jersey Manufacturers Association.

R O B E R T A. W O O D F O R D: Mr. Chairman, members of the Committee, I am Robert A. Woodford, Secretary of the Committee on Taxation of New Jersey Manufacturers Association. This Association is an organization of 14,000 New Jersey manufacturers. The viewpoints and recommendations in this statement reflect the views of members of our Committee on Taxation and of numerous individual businessmen who have voiced their concern to the Association.

I have also been asked by Mr. Donald Curtis, Executive Director of the South Jersey Manufacturers Association, to present this statement on behalf of the 218 members of that Association.

It is not our purpose to question the need for additional tax revenue. We have not seen the 1971 fiscal year budget, nor have we any reason to challenge the Governor's estimate of the impending budget gap. Our recommendations are based on the assumption that the Legislature, as a responsible and independent branch of State Government, will make a careful review of State budget requirements before approving new tax legislation.

We are primarily concerned with the consequences

of eliminating the sales tax exemption on sales of machinery, apparatus and equipment used in production, commonly known as the manufacturing exemption. We are asking each Legislator to reflect on the economic importance of the manufacturing exemption and decide whether purchases of machinery and equipment used in production are, in fact, of less value to this State than purchases of cigarettes, served alcoholic beverages, packaged beer and similar items which will continue to enjoy sales tax exemptions under Assembly Bill 416.

Despite the presence in our sales tax law of an exemption for purchases of machinery and equipment used directly and primarily in production, industry presently pays a considerable portion of the sales tax on nonexempt purchases, including purchases of equipment not used directly and primarily in production, the purchase and maintenance of motor vehicles, purchases of office furniture, office machines and supplies, tools, parts with a life of less than one year, lubricants, materials purchased for the maintenance and cleaning of plant and machinery, and on charges for the installation and repair of machinery and equipment and, as in the case of any other construction, industry also pays indirectly the sales tax charges on materials and directly the sales tax on materials used in repairs. Taxable items range from storage racks to stationery, from time clocks to typewriters, from carpeting to computers. Industry will feel the effect of a 2 percent sales tax increase, as will other consumers.

A 5 percent sales tax on purchases of machinery and

equipment used in production would place an additional \$30 million penalty on investment in New Jersey industries during the coming year. In an effort to determine the significance of this added cost of manufacturing, our Association staff has contacted dozens of major manufacturing concerns since the announcement of the Governor's sales tax proposals. We have asked each company to evaluate the impact on its New Jersey operations of repealing the manufacturing exemption. In nearly every instance, we were informed that a 5% sales tax imposed on machinery purchases would result in a substantial increase in total State and local taxes paid by the business and would significantly increase the cost of production; consequently, loss of the manufacturing exemption may be reflected in a higher price of goods produced in New Jersey plants - a factor which is of fundamental importance to an industry considering the modernization, expansion or location of operations in New Jersey.

A number of industrial officials told us bluntly that repeal of New Jersey's manufacturing exemption would automatically force reconsideration of decisions to re-equip and expand the capacity of their plants in New Jersey. In one case, a plant manager lamented the fact that after spending many months obtaining approval from corporate headquarters for \$3 million in new equipment purchases, he knew that the added \$150,000 sales tax cost on these purchases would cause corporate headquarters to withdraw their approval. Congressional repeal of the Federal 7% investment credit has already caused companies to rethink

planned capital improvements. An added 5% cost increase resulting from this State's repeal of the manufacturing exemption could be the final deterrent to new investment in New Jersey.

While investment in New Jersey and the creation of industrial jobs here is a very local matter, the market for goods produced here is international. No one invests a dollar in New Jersey unless he is confident that a product manufactured in this State can be sold at competitive prices in the national and international marketplace.

In one sense, you, as members of the Legislature, are marketing a product. Your product is New Jersey, as a desirable location for industrial investment. The "profits" from successful marketing of this product can be measured in a growing tax base and, most important, in well-paying industrial jobs essential to the maintenance of a high standard of living.

The manufacturing exemption is one of the most valuable incentives which you, as Legislators, can provide to induce industry to stake their economic futures in New Jersey. Productive machinery is purchased free of state sales taxes in New York, Pennsylvania and Delaware and in a majority of the nation's leading industrial states. And among the top 8 industrial states, once again, New York, Pennsylvania, Ohio, Michigan, and Indiana, in addition to New Jersey, exempt items of machinery and equipment. If machinery and equipment put into a plant here is going to cost 5% more than machinery and equipment put into a plant

in Delaware or Pennsylvania or New York, it might be the deciding factor in the location or expansion of an industrial unit.

Now what's at stake this year was indicated by the New Jersey Manufacturers Association annual economic survey. This year's survey, which preceded announcement of the Governor's tax program, we tabulated responses from over 3,300 New Jersey industries. Every third respondent to the survey indicated plans to expand facilities in 1970 - including the completion of 275 new industrial plants. That encouraging disclosure raised hopes that New Jersey, with the fastest rate of population growth in the East, would be able to provide the thousands of industrial jobs required by our expanding labor force.

Before we adopted a sales and use tax, and before we found the means of replacing our haphazard local assessments on business personal property, which bothered this State for so many years, a disturbing question mark hung over New Jersey. Tax uncertainty, combined with high local property taxes and high social benefit program costs, discouraged the location and expansion of industry in this State. Between 1962 and 1967, when employment in the manufacturing industries of the country rose by 14.8%, New Jersey registered a rise of only 7.8%. During the same period, the U. S. recorded nearly a 20% increase in durable goods production; New Jersey barely reached a growth of 6% - less than one-third the nation's advance. And this, despite an excellent location geographically.

In 1966 the Legislature enacted a tax reform program

designed to provide the State with a larger share of the nation's growth. Included in the program was the sales tax exemption for manufacturing machinery and equipment, major reforms in the corporation business tax, repeal of the inventory tax, and replacement of local taxes on machinery and equipment. Tax reform made New Jersey a far more attractive location for industry; our reforms were widely acclaimed in business and government publications throughout the country. Unfortunately, passage of an ill-advised unemployment compensation program in 1967, S-400, with its controversial strike benefits provision, stifled the industrial growth that tax reforms would have provided. Location decisions made in 1967, for implementation in late 1967 and 1968, were almost uniformly unfavorable to New Jersey.

Manufacturing employment plummeted following the passage of S-400 as compared with manufacturing employment levels of the previous year. Not until January of 1969, eleven months after repeal of the strike benefits provision of S-400, did New Jersey regain its former manufacturing employment level and register an increase in manufacturing jobs.

And I may interject here. A decision to cancel expansion plans where a contract has not already been let on new machinery can be very rapidly achieved; a decision to expand takes longer because the industry must first learn of the changes in the state's tax and business climate, it must then make plans and contract for machinery, have that machinery produced and installed before it finally goes into

the market to pick up additional workers needed to operate the new facilities.

Positive elements in our tax structure, such as the sales tax exemption for machinery and equipment, have been largely responsible for this new surge in manufacturing employment growth since January 1 of 1969, by serving to offset negative elements remaining in the State's business climate, such as the highest local property taxes, highest social benefit program costs and only business personal property tax in this area. Our State levy on machinery and equipment raised \$41.9 million in 1969.

It would be interesting to hear what the present administration plans to say to industrial prospects when attempting to attract them to New Jersey. We certainly can't speak of our property taxes because they are the highest in the area; we certainly can't speak of business personal property taxes, we are the only state in this four-state area to impose a state or local tax on business personal property; we certainly can't refer to our social benefits programs, they are the highest cost programs in this area. What then, with the elimination of the sales tax exemption, will we point to?

As the economic experience of this State has indicated, you, as Legislators, will play an important role in determining whether New Jersey's young citizens will find attractive jobs waiting for them when they enter the labor market. We cannot afford to dismantle programs designed to attract the investment that will provide those jobs.

As an element essential to New Jersey's economic growth, the exemption on sales of machinery and equipment used in production should be retained. Several alternatives to elimination of the manufacturing exemption are available - without taxing any necessity or imposing a tax with major adverse effects on the State's economic growth. Among the alternatives are the following:

First, we could raise our cigarette tax from 14 to 16 cents per pack, which would make our rate equivalent to that in New York City, the combined state and local cigarette tax there; which would make our rate identical to the rate in Connecticut; and which would leave our rate 2 cents below the 18 cent cigarette tax per pack in Pennsylvania. This would raise approximately \$13.5 million additional dollars.

We could, in addition, remove from the sales tax the exemption for purchases of cigarettes. And, incidentally, in New York State there is no exemption for the sale of cigarettes under the sales tax, either the city sales tax or the state sales tax.

Removal of the sales tax exemption on cigarettes, on top of the 2 cent hike in cigarette tax, would provide another \$17 to \$18 million to the State of New Jersey. And in the coming fiscal year this would produce some \$31 million during the 12 month 1971 fiscal year.

Other nonessential purchases which are presently exempt from the sales tax, and the amount of estimated revenue that could be raised from these sources include served alcoholic beverages, other than beer, which would produce

some \$10.5 million under a 5 cent sales tax rate.

And it is interesting to note that in the same restaurant where you bring your family to have dinner and you happen to have a cocktail, the milk that you purchase for your child is taxable, the martini which you purchase for yourself is tax exempt.

Another area would be beer served on premises. This would bring in, if taxed at 5 percent sales tax rate, some \$7 million additional.

The third area is the sale of packaged beer, which would produce \$10 million. And here it's interesting to note that if you walk into a package store any of the miscellaneous items purchased in that store, or a bottle of liquor or a bottle of wine, is subject to the sales tax; only the six-pack you buy is exempt. This is another discrepancy in another area in which the item provided with an exemption is of far less importance to the economy of the State than the manufacturing exemption.

Mr. Chairman, we appreciate this opportunity to present our views and I certainly welcome any questions that any of you care to ask.

ASSEMBLYMAN DE CORTE: Any questions?

ASSEMBLYMAN FLORIO: Sir, I am interested in the alternatives you present. Each and every one of the alternatives you did present was a transferral of the burden of any additional taxation from the business community to the consumer. Now the consumer is already paying, or will under this bill if it's enacted, \$200 million on the basic

2% increase. In addition to that, the Legislature proposes, under this bill, to shift a portion of the burden by removing exemptions to the business community. Now you present us with the alternative in saying, well, no the business community shouldn't accept any portion of this burden but rather further increase should be shifted to the consumer.

It would be my suggestion - I can accept some of the points you've made, the removal of the exemption on business machines may put you in a competitive disadvantage. Could I request that you consider other alternatives that would place the burden upon the business community still in perhaps a less oppressive manner so as to maintain your competitive balance, and I suggest the corporate income tax.

MR. WOODFORD: I would like to respond in several ways to this. First, in regard to your statement that \$200 million will be placed on the consumer, this is correct but I would remind you that business is a consumer. Business is paying a portion and we estimate it to be somewhere in the neighborhood of 20% of the total sales tax. So again business is paying under the increased rate, I mentioned to you, a number of the items on which manufacturers who now have the exemption for their productive machinery nevertheless pay a substantial sales tax. In fact, I would say that the over-all contribution of businesses through the mix of taxes in the State, including the local property tax, including the State tax on machinery and equipment, the corporation tax, fuel tax, and other areas in which businesses pay substantial taxes, represent a levy on business in this State

which is comparable to or in excess of that in many of our competing industrial states.

Now in answer to your specific question as to whether the corporation tax should not be considered as an alternative, I would like to remind you that this tax presently has two segments to it - we have a 4 1/4% rate on net income; we also impose a tax of \$2.00 per thousand, the 2 mills tax, on the net worth of corporations. The net impact of this tax is equivalent to about 6% of corporate net income. Six percent happens to be the rate of corporation tax in Delaware, which is one of the states that competes with us most closely in this area. If you begin to consider other factors, such as the fact that Delaware, New York and Pennsylvania lack the machinery and equipment tax, which we impose on a state level, and if you take the equivalent of that tax in percentage of corporate income you will find that we are higher than Delaware, we are slightly higher than New York, we are somewhat lower than Pennsylvania. But if these are not weighed as a total package, sometimes there's distortion in looking at only one portion of the corporation package.

I would like to also remind you that we have in the State many things that work against our development. As I mentioned, we have the highest local property tax; we have the only business personal property tax; we are one of four states to have three social benefit programs, one of four that have the temporary disability program; we have the highest cost social benefit programs in the nation. Now we presently have two things going for us, one is that our

corporate rate is comparable to our neighbors, and the other is that our sales tax provisions are comparable to our neighbors. Now, if we dismantle either of what remains areas in which we're competitive and don't change the areas in which we are noncompetitive, it doesn't take much to guess what will happen to manufacturing employment in this State; and this is what we're focusing on, what happens to the growth of manufacturing and what happens to the jobs that are provided because no consumer is helped by a provision that diminishes the business tax base in this State, no consumer is helped by something which diminishes the jobs available in this State. You only consume with dollars earned.

ASSEMBLYMAN FLORIO: Then it's your position that the \$39 million which would have been raised or will be raised by this exemption should be transferred to the type of tax suggestions you have made.

MR. WOODFORD: Yes.

ASSEMBLYMAN DE KORTE: Anything else?

SENATOR DEL TUFO: By your paying the tax on machinery, isn't this deducted from your corporate tax return and from your federal income tax return? In other words, what you're doing is stopping the flow of this amount of money to the federal government. - I think they're getting too damn much money - and refunding it back to the State of New Jersey where the money is definitely needed? Is that so?

MR. WOODFORD: Yes. All state and local taxes are deductible, of course, as expenses of operating a business,

under the federal income tax. However, this remains true in every state of the nation and the extent to which you have taxes, state and local, to deduct makes a difference on the ledger and, therefore, makes a difference in the ability to compete in the production of a product in the different locations. And this is again what we are focusing on.

SENATOR DEL TUFO: On your cigarette tax, where you mention removing the tax exemption and then also increase the price of cigarettes, wouldn't that bring it to approximately five or six cents increase?

MR. WOODFORD: No, as I understand the price of cigarettes today, you would probably pick up two cents in sales tax. I'm not a smoker so maybe I have ulterior motives in suggesting that area.

SENATOR DEL TUFO: But you also suggest a two cent increase on the pack.

MR. WOODFORD: That's right. This would add in total then four cents to the price of cigarettes. What in fact we are attempting to do, in suggesting these alternatives, is attempting to find areas that are not necessities to the individual nor are they some areas of taxation which will injure the State's economy and, therefore, indirectly affect the consumer.

SENATOR DEL TUFO: And you ask us to tax the poor man's drink, beer?

MR. WOODFORD: I drink it myself. I don't frankly think that we can exclude the beverages that are taxed - the

light beverages, non-alcoholic, served beverages, - can be said to be anything but the poor man's drink, the milk you buy for a child or the soda a child buys is taxable, of course, and this is as much the poor man's drink.

ASSEMBLYMAN DE KORTE: All right, thank you very much for coming in.

Mr. Charles DeFoe, please.

C H A R L E S T. D e F O E: Mr. Chairman, members of the Senate and Assembly Taxation Committee, I am Charles T. DeFoe, Executive Vice President, New Jersey Retail Merchants Association. The NJRMA is a statewide trade association representing more than 1900 retail stores throughout the State of New Jersey. We maintain offices at 926 West State Street, Trenton.

I appear here today to express our Association's concern over one of the provisions embodied in the Assembly Bill 416. The extension of the sales tax to cover advertising services is of grave concern to the members of our Association and I am certain to all other retailers in the State of New Jersey, as well as many manufacturers, and to those engaged in the production of various forms of advertising. In analyzing the provisions contained in Assembly Bill 416, extending the sales tax to include advertising services we find that a product used almost entirely for the purpose of developing and generating retail sales and subsequently sales tax dollars, will become subject to the State sales tax. These services as employed by a typical merchant are not in any manner products which are normally considered to be germane to the usual items subject to sales tax.

Catalogs, leaflets, sales price lists and similar materials are but devices for the stimulation of business and are used as a communication instrument for informing the public about the availability of a product, product price, and other information of an educational nature to assist the potential buyer in becoming more readily informed about products and prices. All such materials utilized at the retail level of business are fundamentally created and used with two purposes in mind; (1) to acquaint the consumer with a product and its potential uses and (2) to inform the consumer as to its place of availability, price and etc. These forms of advertising parallel similar types of advertising in newspapers, magazines and the other forms of public media. To the typical retailer these forms of advertising are all essential in order to maintain his competitive position in the market place.

New Jersey retailers because of the competition presented them by the large retail markets of New York City and Philadelphia, and the non-sales tax state of Delaware, must spend a greater portion of their gross revenue dollars on advertising than retailers in most other areas of this nation. These additional advertising efforts and costs are especially in the forms of advertising materials proposed to be taxed under provisions of A-416. In order for a great percentage of New Jersey retailers to maintain their position in the market place these special advertising efforts can not be reduced or eliminated even though the five percent (5%) sales tax is added to these services. These increased costs will have to be born by the retailer or passed on to the consumer in the form of higher retail prices. Which ever occurs it will make it all the more

difficult to keep retail services and prices competitive with out state markets.

Our research has indicated that a number of states impose sales taxes on certain forms of advertising services. However, it should be noted that two of our neighboring states, Pennsylvania and New York have distinct exemptions in their law for certain specific advertising materials utilized for the promotion of retail sales. In the case of New York State for instance, such materials as catalogs, which are but a business stimulator and an informational source to the consumer, are exempt from the New York State sales tax. Exemptions in the state of Pennsylvania include materials used for direct mail purposes, and our neighboring state of Delaware does not have a sales tax.

I have been advised by a number of retail companies that operate stores in New Jersey and in one or more other states, that it would be an administrative nightmare for them in many situations to correctly calculate the New Jersey share of a supply of catalogs, point of purchase materials and other such advertising materials. This is particularly true with items produced at the corporate level where such materials might only be utilized by stores of a certain size or in a particular economic market. The manner in which such materials are initially ordered, repeat orders filled and secured on a special order basis could create an absolute impossibility for the company to correctly determine the value of the materials subject to New Jersey sales tax. Such administrative difficulties would certainly not only give the individual retailer much administrative difficulty but also the State Sales Tax Bureau could expend substantial sums and time in attempting to determine if correct allocations had been made and correct sales tax remittances rendered.

Our concern is especially urgent since New Jersey retailers are already burdened with the task of being the unpaid collector of the New Jersey Sales and Use Tax. This very substantial contribution to the state might well be termed another form of taxation. Authoritative studies on the cost to retailers of collecting the sales tax demonstrate that such costs involve from 1% to more than 10% of the tax collected. This cost is incurred because of the required changes in cash register equipment, record keeping requirements and sales person computation of the tax. Since New Jersey has by far the most complicated and extensive system of tax exemptions, we unquestionably rank highest in collections costs of any state. Twenty two (22) other states have recognized this cost by permitting the retailer, as a tax collector, to retain from 1% to 3% of the tax collected. New Jersey has ordained that the retailer absorb the full cost of this collection. Based on last year's sales tax collections of \$260,000,000 the minimum collection cost required to be absorbed by New Jersey retailers, computed at 5% was \$13, million dollars.

Additionally we are concerned about this added expense to retailers because of the discriminatory State Retail Gross Receipts Tax that is currently imposed so un-justly upon New Jersey retail stores. The rank discrimination imposed by the gross receipts tax upon New Jersey retailers is widely acknowledged; twenty two members of the New Jersey Senate co-sponsored legislation in 1969 to repeal this insidious tax, yet today the Retail Gross Receipts Tax is still being imposed.

New Jersey retailers recognize and accept their obligations to pay their fair share of the taxes needed to operate our schools and

and local and state government; however they do strenuously object when they are required to contribute far in excess of their fair share of tax responsibility. The extension of the sales tax to advertising services will clearly further compound the already existing discriminatory treatment New Jersey retailers receive under existing New Jersey tax laws.

Although we have not seen the proposed 1971 fiscal year budget, nor do we challenge the Governors estimate of the need for additional state revenues; we do however question the justification of extending the sales tax to include advertising services. We feel there are alternatives such as those proposed by the New Jersey Manufacturers Association, that will produce the necessary state tax revenues without taxing any necessities or activities of consequence to the states economic well being.

Mr. Chairman, we appreciate this opportunity to have presented our views.

ASSEMBLYMAN DE KORTE: Thank you for coming in.

Any questions?

Thank you.

ASSEMBLYMAN DeKORTE: Mr. Paul Noble. What is this, Mr. Noble?

SHERWOOD BARNHARD: I come in force. We are quite concerned, as you can see, about our problem that we are going to talk to you about and these gentlemen would like to be with me when we speak to you. They are Mr. Shelton Denberg from the Barton Press -

ASSEMBLYMAN DeKORTE: Well, I was thinking in terms of time, sir.

MR. BARNHARD: I will be very short. We will try to make it as brief as possible.

We have Mr. John Turi of the American Colonial Press on my left, and I am Mr. Sherwood A. Barnhard of the Lasky Company in Millburn.

We speak on behalf of the printers of Northern New Jersey and I will briefly outline what my colleagues would like to say to you.

We are not against a sales tax; we are not against taxes, but we are against a tax that will affect our business unjustly and unfairly. We are vital business to New Jersey, mostly made up of small plants, but printing is not bought like food in a store. There has to be a budget by our buyer and then we have to compete against it competitively. And if you'll keep this in mind as we talk, you will understand part of our predicament.

This tax bill which you suggest would not only affect the printing business per se but would affect the paper business, binders, finishers, engravers, writers, artists, topographers,

and others. How can this affect us and what is the effect upon us?

Number 1, competition from out of New Jersey which we are now getting in the past year in increased volume from printers can be detrimental to our plants. It can affect employment because the loss of work that we get will mean a reduction in the working force. As to affecting our profit, we have one of the lowest profit structures of any industry of the United States. It will stop the growth of our plants because of the tax on the equipment and the loss of business and it will also stop the growth of printing businesses coming into New Jersey, which are now beginning to come in quite a bit. We have fifty-three, for example, new printers in New Jersey in the last year or so, which we never had before.

Our customers are some of the largest in the country - pharmaceuticals, drugs and toiletry, food, electronics, department stores - and they would be able to go out of state to buy their printing and distribute their printing to other of their customers in various parts of the country. They do not have to have it distributed from this State because of a tax like this.

One of the first things that a company can do when they get increased costs like in taxes is cut their budget, and we have all of us already been informed by our customers that there will be a reduction in buying from us in New Jersey or they will go out of the State.

We also are very much concerned about the tax on the equipment. The printing industry is quite an unknown one to most people. Our investment for sales is extremely high.

A press that we bought before where we used to get a seven per cent investment credit, we have lost that now and if you put a five per cent tax on that, you are talking if you buy a piece of equipment almost a 13 per cent increase in the cost of equipment over less than a year ago.

My group will also explain to you briefly the cost of bookkeeping we will be faced with because of this tax structure, and for small business it is quite a bit. We are basically small business.

Lastly, we find that this sales tax law is discriminating in that it would eliminate newspapers and magazines from being taxed, where much of the advertising services and agencies, which were mentioned here before, could be varied where we could not compete against them and where possibly many of our advertisers would turn to newspapers, which would affect our business.

S H E L T O N D E N B E R G: Gentlemen, I appreciate your attention. Thank you very much. My name is Shelton Denberg as previously introduced, of the Barton Press, and I am also Vice President of the Printing Industries of New Jersey, and a member of the Board of the Advertising Club of New Jersey. I worked with the State when the sales tax was originally imposed in developing regulations for the printing industry.

We approached you people at the time. We didn't speak to any legislative committee but we spoke to the people who the Governor then had working on the bill, and we said we felt that printed advertising should be exempt from the sales tax because in effect it competes as a recognized advertizing media with radio, with newspapers, with magazines, and with

television. I might as well mention that one - television. And, no question about it, this is a section of the advertising media and it does compete with these other areas. I personally feel that it would be absolutely discriminatory, no question about it, if we were taxed and these other areas accordingly would steer clear of that taxation.

Consider also the fact that a couple of these other media right now, magazines and newspapers, enjoy unusual benefits from the mail department at the federal level. You get your Wall Street Journal the next day, First class mail that I mail in my own town doesn't get delivered with quite that rapidity and certainly I pay a lot more per ounce for it. The advertising mail business and other forms of printed advertising must get equal treatment. There has been a tremendous bag of worms in those states that do have a tax on advertising material. It is found that the anticipated revenues by the State are considerably less than are estimated, and the cost in this complicated business of ours of trying to estimate the actual moneys that must be remitted to the State and the revenues is exceptionally expensive to ascertain.

I understand that in New York there are areas where they get a 20 to 30 factor of cost of revenue to the State in trying to ascertain the proper figures.

We have with us, if any of you want to question him later, a tax specialist to the printing industry, Mr. John Sheridan.

In conclusion I want you to consider something, if you would, please. Advertising generates sales; sales generate

business, and the good climate in New Jersey is good business, and whatever sales tax you have, the more business you have, the more revenues you will achieve from the sales tax. I think to put a tax on productive equipment, to put a tax on advertising, will be a self-defeating tax and would be detrimental to the efforts that we are all trying to improve on.

Thank you very much.

SENATOR DEL TUFO: Mr. Denberg, I thought I would let you know that I enjoyed your picture with your family. I thought that was a very good advertisement.

MR. DENBERG: Thank you, sir. It's free advertising.

L. P. T H E B A U L T: Thank you, gentlemen. My name is L. P. Thebault. I have a plant in Morris Plains in Morris County. This is my first time before a hearing so I don't know how good I'm going to be on this team.

I have been a lifelong citizen of New Jersey and I certainly am aware, and you people have made us even more so today, of the necessity for more income, for more revenue for the State. But I'm here to say that this bill, A-416, as it is written, will not generate the extra funds that the State needs. I don't think it will work out that way.

Now my firm does a lot of printing for the big business firms in New Jersey. We are located in Morris, Essex, Union, Middlesex, Sussex and Hunterdon Counties, mainly firms that are listed on the big board - national and even international firms.

Now a great deal of the printed material that we produce for these firms is for out-of-state consumption, for

out-of-state use. And, therefore, under this proposed bill that printing would not be taxable and, therefore, no revenue for the State. Yet the customer, the firms that we do business for, would have to go to a great deal of expense - extra book-keeping expense - to administer this proposed tax, and not to mention the extra expense that we as a printing firm would go to. And, again, it's quite possible that our customers, as has been mentioned here before, might go out of the area, say, even Pennsylvania, to buy their printing, to avoid this extra tax. We would lose business, New Jersey would lose business; we stop growing; we would probably have a lay-off in personnel, and certainly we have impeded our growth.

I don't see how the State can raise the money that they believe they can raise under this bill. In fact, at the moment it will probably cost the State more money to administrate this than the possible revenue that might be derived from it.

I would like to call attention to page 5 of our statement. It will just take a moment to read.

ASSEMBLYMAN DeKORTE: We don't have your statement.

MR. THEBAULT: Well, may I read it. (Reads) "A good deal of advertising printing produced in New Jersey by commercial printers is shipped to out-of-state customers. These sales are not taxable by New Jersey. If they would be, out-of-state customers immediately would shift to non-New Jersey printers, thereby costing thousands of jobs and millions in sales and tax revenues in the State of New Jersey."

I will skip a point. It would also "create enormous mountains of red tape for the printer and mailer, both of

whom would have to delineate that portion of a shipment going out of the State and that portion staying within the State."

As has been mentioned before by the manufacturer representatives - this proposed elimination of our tax on equipment and machinery would be a great blow to us because our equipment, as Mr. Barnhard has mentioned, is very expensive and an extra five per cent would be rather damaging in view of the fact that all our neighboring States do not have this tax. And, of course, it has also been mentioned that we pay this business personality tax so in effect we would be having a double tax on our equipment.

Now I sat back there and certainly enjoyed the day's proceedings. As I said, it is my first time, and I see here the motto on your distinguished seal, which is "Liberty and Prosperity." I don't think there would be too much liberty in this tax as we view it. It's rather an unfair tax and certainly there would be very little prosperity for the people in our business.

Thank you.

J O H N T U R I: Gentlemen, my name is John Turi. I am President of the American Colonial Press in Paterson, New Jersey, and I am on the Board of Directors of the North Jersey Communications Group. This is a group that is organized in Bergen and Passaic County.

Let me explain a little bit to you because I think you are tired of facts and figures about our business. I think it is fair to say that the printing business is a very

competitive business. Most of you fellows who have run for office know because of the material you have used. It's a highly competitive business whether it's done in-state or out-of-state. There are many, many bids to procure a printing job. This makes it tougher and tougher each and every day.

I would like to note something aside from what we are talking about here in terms of competition. I don't want to cry because we're going to go broke slowly anyway. It must be noted that the publicity in the messages that have been getting to the public is that the tax is going to go from three per cent to five per cent. This is not true. It is going to go to a complete five per cent. It is going to be one complete five per cent jump. That must be noted. I don't think that has been noted along the way.

We are in the business of show and tell, messages, media, motivation of sale, industrial growth. The method we use is putting ink on paper. So do newspapers and so do magazines. This proposed taxation is a sure approach for discouraging business and stifling the proven age-old show and tell method of economy and growth.

It also must be noted, because we often say that advertising is strictly for a sale, much of the printed material is not used just for selling or advertising or for providing a service, but it is used for informing and, of course, educating - directed to doctors, engineers, scientists, educators, executives, such as technical data - bulletins, manuals, new products, catalogs to choose from. This is the kind of material that is used that is not

advertising, yet will be called advertising.

Gentlemen, consider carefully, because you are considering the taxation of a message. You are considering the taxation of the printed word. I don't know what's next.

Thank you.

MR. BARNHARD: May I add this: When John said that we jump from zero to five per cent, there was a question on some of your faces. What he means is that we jump from zero to five per cent in our industry, and our customers are not acclimated to the fact that there is going to be a tax.

Are there any questions that we can answer for you?

Thank you very much.

ASSEMBLYMAN DeKORTE: Thank you for coming in.

Mr. Richard Solyom.

R I C H A R D S O L Y O M: Mr. Chairman and Members of the Committee: My name is Richard Solyom and I live in Fort Lee. I am here to speak for the Federation of New Jersey taxpayers.

The word "mandate" has been grossly overworked lately. One of these days those who use it so freely may find themselves mandated out of office. Today from all sides we hear the figure 300 million. The orchestrated press constantly tells us this is the magic total of mandated increases in State expenditures, - 70 million for Medicaid, 25 million for increased pensions, 30 million more for welfare, 15 million more for State aid to schools, 184 million a year to regionalize the schools as mandated by the Bateman and Mancuso Reports.

On and on the list goes - all mandated - mandated.

Now, gentlemen, I submit for your consideration this fact. If it is possible to pass a law mandating certain expenditures, then it is equally possible to pass another law rescinding the mandate, thus making such expenditures unnecessary. In other words, stop the crazy spending!

I am not here to discuss the relative merits of a sales tax increase versus a State income tax. All such talk is idle rhetoric signifying nothing and merely obscures the issue. The issue is that the taxpayers of New Jersey are demanding a reduction in the crazy government spending, and I am here to represent them.

Only by a reduction in spending can we hope to accomplish a reduction in taxes! Reduce the spending and you will need neither a sales tax increase nor a State income tax.

Here is a copy of the State budget. It measures one and three-quarters inches thick! Now you cannot tell me that this does not contain a lot of excess fat that can be trimmed out, and I am sure it can be trimmed without injury to the proper functioning of our government.. Today it is increasingly difficult for most people to meet their financial obligations. Yet we know each of us as individuals must live within our income, even if it means scrimping to do so. GOVERNMENTS MUST DO THE SAME!

So - we recommend more effort be made to reduce spending and eliminate waste rather than spend all this time seeking ways to increase taxes. Now you will ask, but where shall we cut? Let me tell you where the taxpayers of New Jersey think you should cut.

Twice a year the Federation's Board of Directors compiles a slate of tax-related issues. This list is submitted to the members and it is their vote which determines the Number 1 issue. I submit for the record a tabulation of our latest ISSUES BALLOT. The vote indicates the Number 1 issue is NO STATE INCOME TAX!

This is a preventive measure; looking into the future the taxpayers are saying: "Let's prevent the Legislature from imposing an income tax on us because we know if they get their hands on any more of our money, they are sure to find ways to spend it.

Next, please note the taxpayers consider the second most important issue to be elimination of excessive expenditures of public money for so-called "educational purposes." Third is property tax reduction and fourth is to reduce relief and welfare rolls. Gentlemen, the taxpayers are telling you - cut down on educational and welfare expenses!

It must be obvious to everyone by now that there is no one-shot cure-all for our tax problems. It must be obvious also that some changes must be made in the way in which state revenue is both collected and expended. There is no panacea. However, we suggest serious consideration be given to the Value Added Tax. We suggest this system as a substitute for, not in addition to, the hodgepodge of present taxes. This system taxes all production equitably but does not tax the tools or the means of production. We are fortunate in that the inventor of this system is a New Jersey resident and can assist the Legislature in implementing this method

of taxation in its proper form and not in its perverted form as presently used in Europe. I wish to submit for the record this summary of the Value Added Tax published by the American Economic Foundation, together with a proposed single page form which can be used when this system is in effect in New Jersey.

In closing, let me remind you: The taxpayers of New Jersey are demanding that you, the legislators, un-tax them, un-mandate them, and make them free men once again.

I thank you for the opportunity of being here today.

ASSEMBLYMAN DeKORTE: Are there any questions, gentlemen?

Senator Crabiel?

SENATOR CRABIEL: Will you explain briefly the Value Added Tax?

MR. SOLYOM: Well this is a tax on the value which is added to material that passes through the hands of any company or individual.

SENATOR CRABIEL: Isn't that in effect a sales tax at every level?

MR. SOLYOM: No. Some people call it a form of sales tax but it isn't really. Other people call it an ad valorem tax. It's perhaps a little bit of all, but it's not exactly one of any of them.

SENATOR CRABIEL: What is your estimate of revenue that such a tax would bring in?

MR. SOLYOM: Well today I got from a friend of mine in Michigan a news item on Value Added and I think they said

in here 13 per cent will bring in forty-five billion a year in America. Now this is on a national level, a national scale. Forty-five billion with the rate of 13 per cent. As you know today, personal income taxes run up to as much as 70 per cent.

SENATOR CRABIEL: Thirteen per cent of what?

MR. SOLYOM: The added value.

SENATOR CRABIEL: Well when the consumer buys something, where is the added value? He pays nothing?

MR. SOLYOM: Oh, no. You're mixing this up with the sales tax.

SENATOR CRABIEL: I'm not mixing it up. I'm trying to find out from you what the Value Added Tax is.

MR. SOLYOM: Perhaps I should leave one of these with you.

SENATOR CRABIEL: I thought you would tell me without a lot of words.

MR. SOLYOM: All right.

SENATOR CRABIEL: Maybe we better leave this.

MR. SOLYOM: I'm just trying to consolidate my thoughts you might say. But let's take, for example, a company producing tables. They bring in raw material in the form of wood and they sell tables, the finished product. There are certain expenses involved in the manufacture.

SENATOR CRABIEL: In other words, it's corporations that are paying this tax all the way. Is that correct?

MR. SOLYOM: Yes. It doesn't apply to employees. The employees do not pay it. They are part of the economic family producing this product.

SENATOR CRABIEL: Isn't it in the price structure of the product?

MR. SOLYOM: Eventually it is, of course.

SENATOR CRABIEL: So the consumer will pay the entire matter so in effect it becomes a sales -

MR. SOLYOM: Do you know of any sales on which the consumer does not pay?

SENATOR CRABIEL: I am just trying to get from you -

MR. SOLYOM: The point I am trying to make is this, that taxes are always paid ultimately by the consumer. This is a good system because it is self-enforcing. That is one point in its favor. It is a self-enforcing system.

ASSEMBLYMAN DeKORTE: Thanks for coming, Mr. Solyom. Raymond Raff.

R O B E R T C. M U I R: Mr. Chairman, Members of the Committee, my name is Robert C. Muir. I am Vice President of Huntzinger Corporation in Camden, New Jersey, and President of the Graphic Arts Association of Delaware Valley.

The following is the position of the Printing Industry of Southern New Jersey regarding the "Sales and Use Tax Act" which we are discussing today. Two amendments which concern our industry are:

The elimination from exemption the sales of machinery, apparatus and equipment for use... in manufacturing, and

The elimination from exemption sales not for resale of catalogs, sales price lists, point of purchase advertising, sales pamphlets or handbills, commonly known as commercial advertising, when produced upon special order of the purchaser.

The total printing and publishing in the State of New Jersey represents shipments of \$902 million, employing 43 thousand people who were paid \$314 million in 1969, and these are estimates from the U. S. Department of Commerce.

Commercial printing, which is a further refinement of total printing, represents \$367 million in shipments in New Jersey in 1969. Advertising printing is included in the statistical analysis of commercial printing.

Along with other important industries in New Jersey, the printing and publishing industry would be adversely affected by the proposal to eliminate the present sales tax exemption on machinery and equipment used in manufacturing. The trend is that printing industry firms are requiring increasingly greater assets to produce a given dollar of sales. If these job-producing assets of production are taxed, it will eventually affect the unit cost of the product. Since adjoining States enjoy a manufacturing exemption, such action would place the printing industry in New Jersey at a competitive disadvantage.

It is the proposal to eliminate the exemption on advertising material which represents the most immediate problem to our industry. Printing is an important part of the total manufacturing of New Jersey. It is exceedingly competitive and a highly-mobile industry. As a result of new printing technology, the product can be produced in plants quite distant from the customer and thus will not find its way to New Jersey. Composition, for example, can already be produced in Tennessee or other parts of the country at a

competitive price with New Jersey.

The buyer of advertising printing considers this a cost of selling his product and consistent with quality, service and delivery will buy from the printer with the lowest price.

Commercial printers from northern and Southern New Jersey warn us that a five per cent tax on advertising printing will result in the immediate flight of printing business from New Jersey to adjoining States. In fact several major buyers have put the industry on notice that they would be compelled to take such action.

The impact of this tax will be instantaneous, forcing business out of the State and companies to relocate their plants elsewhere. Not only would this affect the anticipated tax revenue downward, but it would cause unemployment in an industry whose payroll contribution is high.

Skilled labor would be quickly accommodated in adjoining States and a large number of unskilled bindery, handling and delivery employees would lose their jobs.

We feel that the anticipated tax revenue would fall short on two counts.

First, according to the U.S. Department of Commerce ratio figures, advertising printing accounts for 30% of all commercial printing. Applying this to the \$367 million represented by New Jersey commercial printing, we arrive at a figure of \$110 million for advertising printing alone. The 5% sales tax on this would produce \$5.5 million, not \$10.7 million as earlier reported.

Second and more important, whatever figure the 5% tax is applied to, the effect would be to drive business out of the State, thereby diminishing the base from which the tax is derived. Therefore, for much less money than calculated, the expansion of an important manufacturing industry would be jeopardized and the security of its employees seriously threatened.

We suggest, therefore, that the Assembly's action on this proposal would be self-defeating and a broader tax base for the necessary revenue should be sought.

Thank you very much for hearing our statement.

ASSEMBLYMAN DeKORTE: Thank you, sir. Are there any questions?

ASSEMBLYMAN DORGAN: I have a question.

I think most of the printers have gotten across the same two points to us. One is the objection as to equipment and the second one is on the advertising matter. What are we talking about in advertising matter? Is it direct mailing as opposed to newspapers and magazines? Is this the objection? I think you said that 30 per cent of your commercial printing was in the advertising matter. Are you talking about junk mail, shoppers, that type of thing?

MR. MUIR: We are talking about catalogs, sales price lists, point of purchasing advertising, sales pamphlets, hand bills. That is grouped in that area.

ASSEMBLYMAN DORGAN: Well, is a "shopper" considered a hand bill?

MR. MUIR: That's right, the same as explained to you

by the retailers.

ASSEMBLYMAN DORGAN: Do you people have any figures with the proportion of money that would be derived from taxing newspapers and magazines as compared to this advertising matter?

MR. MUIR: At the moment I am not prepared to give you those figures. I wouldn't have them.

ASSEMBLYMAN DORGAN: We have been told it is unfair and that it is discriminating not taxing newspapers and magazines. I am trying to find out from somebody the percentage of revenue the printers get from these different categories.

MR. MUIR: Well, I can give you an estimate, as I just did, of approximately \$110 million in this type of advertising being produced in the State of New Jersey. A five per cent tax on that, of course, would be roughly \$500.

ASSEMBLYMAN DORGAN: Yes, but a lot of that is mailed out of the State too?

MR. MUIR: There is no question about it.

ASSEMBLYMAN DeKORTE: Thank you very much.

Gertrude Unsel, please.

G E R T R U D E E. U N S E L: Mr. Chairman and Members of the Committee: Thank you for giving me this opportunity to express my opinion on this proposed increase in the sales tax.

My name is Miss Gertrude E. Unsel of East Paterson, Member of the East Paterson Homeowners Association and Member of the Board of Directors of the Federation of New Jersey Taxpayers.

When the Sales Tax was first foisted upon the citizens of New Jersey we were told that this added revenue would be used for education and to help reduce property taxes. Since that time, the revenue from the Sales Tax has soared well over the \$200 million mark. Conversely, education costs and school budgets have continued to rise at an alarming rate and the promised relief for property taxes has not materialized and property taxes have also risen at an alarming rate.

During the 1965 gubernatorial campaign, Senator Wayne Dumont said during a panel discussion that New Jersey's not having a Sales Tax was "unfair" to Pennsylvania because the citizens of that State came over to New Jersey to do their shopping. I am sure Senator Dumont was not alone in this thought. It is disillusioning to note that New Jersey legislators elected by the people seem to be representing our neighboring States rather than their constituents.

During this past Assembly campaign, Assemblyman William Crane told a radio audience that it was inflation that causes high taxes, that everything the State purchases has risen in price. The public is not being told the truth: high government spending causes high taxes which in turn causes inflation because producers of goods and services, when faced with increased taxes, simply pass the added cost along to the consumer in the price of goods.

In the face of the so-called fiscal crisis, our legislators have increased their own and the governor's salaries. This action defies reason. It is perhaps not too well known by the public that all expenses incurred by elected and appointed officials in the conduct of their offices do not come out of salaries but are paid for by the taxpayers in addition to the salaries. In some cases, even housing and all living facilities as well as private transportation are provided for State officials at the expense of the taxpayers.

In the face of the so-called fiscal crisis, new departments have been added so that we now have layer upon layer upon layer of government. The layers are so thick that the official at the top has no conception of what is going on at the bottom. Our financial status is becoming so complex that it will soon rival the tangled mess of the City of New York. We have had scandals in our Department of Institutions and Agencies, notably Greystone. Still the rumors continue of the bad conditions therein. The only solution offered so far is more and more money. But the more money that is appropriated the worse conditions seem to get.

Not only has the number of departments within State Government grown but the existing departments are fast becoming empires in themselves. The Department of Conservation and Economic Development, in the year ending June 30, 1968, expended \$353,513. in salaries alone. The amount recommended in the Governor's Message for the year ending June 30, 1970 was \$427,197 - a half million dollars in salaries alone for one department. The amount expended in salaries for the Department of Higher Education for the year ending June 30, 1968 was \$211,382. The amount recommended for the year ending June 30, 1970 was \$557,273 - over a half million for salaries alone in another department, and double

the 1968 figure!

In the Department of Transportation, total services other than personal amounted to \$667,164 for the year ending June 30, 1968. For the year ending June 30, 1970, the amount recommended was \$778,565. In the same department, salaries for fiscal 1968 amounted to \$2,799,902 and the amount recommended for fiscal 1970 was \$3,265,944 - a million-dollar increase for salaries alone!

The Department of Community Affairs is one which could be easily eliminated. Its budget has increased a million dollars in the past year. The main function of this agency is interference with the democratic processes of local communities and its main interest is regional planning with the ultimate goal of regional government, a system totally alien to Americans.

The Sales Tax should not be increased. It should be abolished as it is wholly ineffective and a failure. There should not be an Income Tax foisted upon us in its place. Instead the Legislature should make an honest effort to shave the fat from State Government. A Government with only essential departments, leaving all other services to the counties and municipalities would be far more beneficial to the citizens in the tax-saving resulting from a smaller State Government. Welfare should be left to the local governments who have better knowledge of the needs of their own people.

The Federation of New Jersey Taxpayers has publicly announced that it will work for the defeat of all Legislators or other candidates who espouse an increase in the Sales Tax and/or the enactment of a State Income Tax.

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Since my prepared statement I have obtained a copy of the bill which I did not see before, and I would just like to mention a few points in that bill.

Section 5, the tax on advertising, is discriminatory. It would tax direct mail, flyers, billboards, radio and TV commercials; it would even tax your advertising on the Trenton wastebaskets along the streets here. I would suggest it might even be an infringement of Article I of the Bill of Rights of the U. S. Constitution, since advertising comes under the field of communication. I have a hard enough time trying to get a sandwich here when I come to Trenton and now you propose to tax food and meals in restaurants. School children coming here to attend the session thus would have to pay a tax on their meals if they go into a restaurant. You would tax aspirin, anti-acids and vitamins, tax hotel rooms, laundry, dry cleaning, shoe repairing and shoe shining, etc.

In the past couple of years we saw "bond issues, yes, taxes, no." We saw the lottery promoted as a solution to no more taxes. I would say the bond issue, the nine hundred and ninety-nine million dollar bond issue, and the water bond issue contributed to this problem that you are now facing, because you don't have the money to pay for it. The people were led to believe they would not have to pay any more. You have asked several people here, where would you cut? I would say, start with your own and the Governor's salary at the beginning. Cut the salaries of the Commissioners of the various departments, including the State Commissioner of

Community Affairs and the Commissioner of Higher Education. Stop supplying homes and houses for these officials. In all this three hundred million that you need more, most of it in the list is said to be caused by rising costs. Well, a sales tax will help increase inflation further, so here we will have another round.

I would also suggest that we pull out of the Tri-state Transportation Committee under which we have to pay 45 per cent of the cost, and listed in the budget for this past year is a quarter of a million dollars; also regional planning for which we pay thirteen million dollars. I would suggest that you cut out the subsidies to railroads and other private industries which are in violation of our own Constitution, Article 8, Section III, paragraph 3, which says that no appropriation of money shall be made by the State to any society, association or corporation whatsoever.

A higher sales tax will increase cost of goods and increase inflation. An income tax would also increase inflation because it will mean less money in the pay checks of the working people who will then ask for an increase in wages. Round and round she goes and where she stops only the bureaucrats will know.

ASSEMBLYMAN DeKORTE: Thank you, Miss Unsel.

Are there any questions? [No questions]

Miss Unsel, some of the things you mentioned as being taxable under this bill will remain exempt. I think you were reading the exemption section, thinking it was the imposition.

MISS UNSEL: No, it is the first part of the section on advertising, and under Medical it lists the exemptions and it is only medicine that is supplied by doctors, and aspirin is not prescribed by doctors, anti-acids or vitamins, and a multitude of drugs which people pick up every day at the drugstore.

ASSEMBLYMAN DeKORTE: Didn't you mention food consumed by school children?

MISS UNSEL: Food in restaurants. It says that in the beginning - food in restaurants, including drinks.

ASSEMBLYMAN DeKORTE: No, only food sold for human consumption off the premises.

MISS UNSEL: Well, right here it says, "Receipts from the sale of food and drink except alcoholic beverages... in or by restaurants, taverns or other establishments." That is section (5) (c).

ASSEMBLYMAN DeKORTE: If you look at Section 8 - I don't want to take up the time of other people who are waiting, but if you look at Section 8, food is exempt except that sold for off premises consumption.

MISS UNSEL: Well, if that contradicts the first part, I think you had better clear it up a little bit. I read that about five or six times, and that's the impression I got.

ASSEMBLYMAN DeKORTE: All right, I'll tell our draftsmen. I'm sorry.

ASSEMBLYMAN FIORE: I have just one question. In regard to your question in regard to local government. Now if we put the burden on local governments regarding welfare, regarding

these spiraling costs in local government, do you feel that your property tax rate will go higher because of these costs going higher also, and don't you feel that in the budget of the State money has been given to the municipalities in other parts of the State - therefore, even trying to hold down the property taxes - for example, we had an urban aid package which was at least 12 or 13 million dollars and in this, I believe, some of our larger cities received five million which would be 50 points on a tax rate. Now without this, these homeowners would have had to bear an additional 50 points. As was said before, our property tax rate, I believe, next to Massachusetts is the highest tax rate in the country.

MISS UNSEL: That depends on where you live and what your welfare problems are. Each municipality can take care of its own welfare problems. I am sorry to say that in my own town we have low welfare and anybody who is in need is taken care of very well. However, I object to our being forced to take care of other towns' needs. Each town should be able to take care of its own needs. If it is not able to take care of its own needs, then something is corrupt in that city government.

I would also like to point out that the property tax is paid to the local government and the county, not the State, and anything the State gives us costs us that much more.

ASSEMBLYMAN DEKORTE: Thank you, Miss Unsel.

John J. Owens, please.

J O H N J. O W E N S: Thank you for the privilege of addressing you this morning.

My name is John J. Owens. I am Executive Vice President of Clark-O'Neill, Inc., a mail marketing firm headquartered in Fairview, New Jersey. This morning I am appearing as President and principal spokesman of the "New Jersey Mail Users Committee." I am accompanied by other representatives of the New Jersey Direct Mail Industry, both users and producers - in particular, Mr. Robert Atkins, President of Fisher-Stevens in Clifton, a producer; Howard Levenberg, Manager of Marketing Operations in Passaic, a popular club plan in Passaic, a user; William Kuipers, Treasurer, Haybrand, Paterson, New Jersey, a user and alongside of me; and John E. Sharp, Advertising Director of Ednor Scientific Company of Barrington, New Jersey, a user, and Ralph Cox, Executive Vice President of the Hibbert Company here in Trenton, a producer.

Kuipers
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The Direct Mail Advertising Industry - the nation's third largest advertising medium - with an annual revenue of \$2.8 billion is made up of both large and small companies who use the mails as a marketing tool to deliver their sales messages.

Here in New Jersey our industry consists of approximately 350 firms, ranging in size from a small family-operated business to large companies, one of which employs approximately 2,000 people. We estimate, a mailing industry only, a total payroll in New Jersey of almost \$75 million a year.

Add to this the very significant payrolls of the companies whose existence depends on the services provided by our industry and you have some concept of the importance of the Direct Mail Industry in New Jersey.

Being businessmen who live and work in New Jersey, we recognize the need for additional tax revenue. While we are not against the proposed increase in sales tax, we do question the double discrimination that seems to be applied against us with the proposed removal of two key exemptions: for advertising services, and for commercial advertising.

We came here to learn, and hopefully the State Assembly Tax Committee can learn too, not only from our testimony but also from the experience of our neighbor State, New York, whose early shortsightedness has eroded the ranks of printers and mailers in that State. Indeed, New Jersey has, to say the least, benefited immeasurably from their actions.

Time did not allow us to prepare a full list of these firms, but a few of the more prominent ones which have re-located here in New Jersey are: Pronto Addressing Company, Coupon Service, Inc., Franklyn-Rapid, Clark-O'Neill, Fisher-Stevens Service, Inc., McGraw-Hill. Mailing Services of Pennsauken. These seven new firms currently provide more than 3,000 jobs. Clark-O'Neill, the company I have represented for 25 years, employed 600 of those jobs.

In addition to these firms who have already moved to New Jersey, many other sizable firms in our industry are presently contemplating a similar move because of the past receptive business climate in New Jersey. Obviously, they

are now reconsidering to see if the climate is still conducive. Certainly this is a lesson we can learn from!

There is yet another consideration. The human factor. Over 50 per cent of those employed in our industry are from minority groups. While we are a skilled industry, you should also realize that our members offer employment to the so-called hard-core unemployables from the economically depressed areas throughout the State. The only requirement for employment in Direct Mail companies is a willingness to work. We do not, as a matter of fact, require a formal education. We do not require previous work experience, and we need both men and women.

Advancement is made within our companies. Foremen and managers are chosen from the ranks. These companies hire people who are not skilled and teach them to be machine operators, mechanics, mail clerks, printers, key punch operators, computer operators, etc.

This is not an industry with a high profit margin.

5% can mean the difference between a profit and a loss.

5% can mean the difference between an order being placed with a New Jersey company or a company in another state.

and 5% can mean the difference between employment and welfare for many citizens of New Jersey.

We described our industry so you might have a better idea of its makeup, for though we may not be as large or as visible as a series of giant manufacturing firms, we do represent a large number of small firms, each of whom makes substantial economic contributions. Not only does our total

payroll contribute importantly to the economy of its immediate area, the sales which are generated from our efforts help greatly to improve the economy of New Jersey. If the present exemption for advertising were to be precipitously disturbed, the long-term consequence could be serious indeed.

Further, the addition of paragraph 5, Section 3, of the proposed tax is clearly discriminatory. Not only does it give neighboring States an advantage over New Jersey, but offers other advertising media important competitive edges.

Obviously, when advertisers study their budgets they will see that when using media other than newspapers or magazines, they will have to pay the 5% tax. These advertisers, our customers, will quite naturally turn to other media when they allocate their dollars. They will also, I'm afraid, turn to printers and mailers in neighboring States.

Placed in this light, is it any wonder then why this proposed amendment is so unfairly discriminatory? Gentlemen, if you think the political wars are rough, you should engage in the day-to-day battle between advertising media. Five per cent is a very wide margin indeed.

Though we all want to look ahead in a progressive manner, ~~let's~~ pause to reflect on the wisdom of those legislators who framed the original exemptions for "advertising services" and "commercial advertising." Clearly they realized the enormous benefits that accrue to New Jersey because of these exemptions.

We only hope you will also understand the harm that

you could cause were you to disturb that important asset-- a healthy and viable advertising industry.

In conclusion, speaking for the New Jersey Mail Users Committee, we do not believe it is in the best long-term interest of the State to remove the present exemptions for "commercial advertising" or "advertising services."

We thank you for your attention this morning and now would be glad to answer any questions you might have. However, Mr. Kuipers is a user of the mails and I think he has something important that he could add to this.

W I L L I A M K U I P E R S: My name is Bill Kuipers, I am Secretary-Treasurer of the Hayban Company in Paterson, New Jersey. Our firm was born in Paterson some 45 years ago, has grown and matured in Paterson, selling men's neckwear and other items of men's clothing by mail. We are a pure direct mail company, advertising by mail, receiving our orders by mail, and shipping our orders by mail.

As native pure-bred New Jerseyites, we are here to express our concern about the proposed removal of the sales tax exemption on advertising material. The financial dilemma facing you and the Governor is evidence that something must be done, but what is done must be in the best interests of the taxpayer, the businesses calling New Jersey home, and the State.

The Governor himself has stated that these changes in the long run will not solve all of the State's fiscal problems. If he is right, why single out the users of

printed advertising and severely hamper their operations and penalize them for doing business in the State. We submit that the proposed legislation is not in the best interest of all of the parties concerned. Here are the reasons: First, the New Jersey printers, as you have heard, will be severely and painfully penalized because our company and many other mail order firms will be forced to solicit bids from and to have work performed by out-of-state mailing houses. A mail order business can function in absolutely any State in the Union with equal mailing costs. Advertising postage rates are the same wherever the ad is mailed from, whether the ad is going to Pasadena or Passaic, from New Hampshire, Nevada, or Mississippi.

Approximately 20 States do not tax advertising printing currently. Specifically, New Hampshire and Pennsylvania do not tax advertising printing. Mailing departments can be moved without disrupting entire operations - simply transfer the mailing jobs and the printing sources to out-of-State. Any move of this type penalizes New Jersey printers, the employment of these printers and thus the sales and income tax collections of the State.

Second, the proposed legislation is clearly discriminatory to the direct mail advertising industry.

SENATOR DEL TUFO: Pardon me, Mr. Chairman. I don't think it's fair where one man lists himself and then has other speakers here. It's not fair to the other speakers.

ASSEMBLYMAN DeKORTE: Mr. Kuipers, how much longer are you going to be?

MR. KUIPERS: I'm about half-way through. As much as I've said, I have that much more to say.

ASSEMBLYMAN DeKORTE: Incidentally, who told you to tag along with Mr. Owens.

MR. KUIPERS: The gentleman at the roster here. Mr. Daly and I asked him if I should list my name separately, and he said, no, that when Mr. Owens came up -

MR. VENERI: Mr. Chairman, I have sat here quite patiently. I understand I am the next witness. A week ago by telephone I was told I could offer testimony here and what time would I like to be here - how about 10:30, I was asked. I said, no, I might not be able to make it. Make it 12. I got here at 10:30. I just want to make the point the Senator made about three or four crashing in. If someone told me tomorrow, I would be here tomorrow, but I think it is unfair.

ASSEMBLYMAN DeKORTE: I think you are quite right.

I will ask you to conclude in two minutes, please.

MR. KUIPERS: Our small company employs over 250 men, women and students, of whom 150 represent our mailing department and are essentially unskilled people. As we understand the bill, competitive media such as newspaper ads and magazine ads will continue to be tax exempt. This appears to us to be grossly unfair. There are many more jobs involved per dollar of advertising in mail order than in these other media. A mail order house needs many

more employees to get out a mailing of its own than to put an ad in the paper. Hence, many more New Jersey jobs are threatened by the legislation.

A fair question would be, why continue with direct mail if space advertising does the same job with less people. The answer, gentlemen, is that sales results are clearly superior with direct mail than with magazine and newspaper advertising in our business.

We thank you very much for the opportunity to speak to you. We feel very strongly that elimination of the exemption on advertising materials will result in higher prices and damage to New Jersey printers.

ASSEMBLYMAN DeKORTE: Thank you. Are there any questions?

SENATOR CRABIEL: Sir, do I understand that you are only objecting to the sales tax and the cost of preparing your advertising. The product you sell, if you sell it in New Jersey, is taxable, isn't it?

MR. KUIPERS: Our specific product is not, sir. We do not object to the increase in the sales tax but only to the sales tax exemption on advertising materials.

SENATOR CRABIEL: The only thing you are talking about is the sales tax on the printing material and the direct mailing. Is that correct?

MR. KUIPERS: That is correct.

SENATOR CRABIEL: What percentage of the cost of doing business in your company would that be.

MR. KUIPERS: In our company, advertising expense accounts for approximately 25 per cent of the sales dollar.

SENATOR CRABIEL: Advertising expense - now that's not the printing of the advertising, is it?

MR. KUIPERS: No, that is the total advertising expense. If I extract from that figure, advertising postage which is not taxable, it leaves in the neighborhood of seventeen to eighteen per cent of our total sales dollars that would be taxable under this bill.

SENATOR CRABIEL: So if you put a five per cent sales tax on and you've got eighteen per cent, that adds a little less than 1 per cent to your total cost.

MR. KUIPERS: Of our sales, that's right, and in our business, a small business, approximately 10 million dollars a year, that means \$75,000 per year from zero to zero.

ASSEMBLYMAN DeKORTE: Thank you.

Mr. Veneri.

M A U R I C E M. V E N E R I: Mr. Chairman, at the outset let me thank you for this opportunity to appear before you.

ASSEMBLYMAN DeKORTE: At the outset, let me apologize to you for the delay in your appearance. I hope that all the other witnesses who are still waiting are equally as good sports. Go ahead.

MR. VENERI: , My name is Maurice M. Veneri, President of the New Jersey Industrial Union Council AFL-CIO.

Mr. Chairman and members of the N.J. Legislature, on behalf of the 130, members of the New Jersey Industrial Union

Council, men and women who work in the factories and the mills of this state, I wish to register our unalterable opposition to the 5% sales tax or any increase in the sales tax as it exists today. At this very moment, tens of thousands of our members are signing petitions in the plants and in the communities in opposition to this new tax burden because of its utter unfairness and because they just cannot sustain any further erosion of their income, at this time.

We resent the Governor's headlong rush to add another 2% to this tax because it appears to us that he is taking the easy way out and refusing to tackle the basic problems facing our families in New Jersey. This problem revolves around the inability of working people to cope with sky-rocketing living costs today and the additional tax burden at all levels of government.

Latest figures released by the U. S. Bureau of Labor Statistics show that the cost of living in our state has gone up 6.9% in the past year. This is the equivalent of a wage cut of 22¢ an hour or almost \$9 a week. On top of this, our members have been saddled with a 10% surtax, additional social security taxes, impossibly high municipal and property taxes, and Interest and mortgage rates which are now approaching 10%. On top of this, we find Blue Cross rates are in the process of being raised over 50% in one year, and automobile insurance will definitely be raised with no relief in sight.

In proposing to add to this crushing burden the imposition of the 5% sales tax, the Governor is demanding that those least able to make ends meet, bear the burden of the financial difficulties of our state. This is regressive taxation of the worse sort. This means

that the average member of our unions, who earns \$6,500 a year will be forced to pay the same rate of taxes as his employer, who may be making \$65,000 or \$600,000 per annum. This method adopts the same philosophy as the iniquitous surtax which was designed to cope with inflation by placing the major burden of the cost of the Viet Nam war on people who were already suffering under its excessively inflationary effects.

On Monday, January 5, 1970, the U. S. Department of Labor issued their official estimates of what income a family of four (4) living in Northeastern New Jersey in the spring of 1969 needed to get along. The government tells us that a moderate budget for a family of four (4) requires an income of \$11,236. As we run down each item, we find that it is indeed a modest budget. For example, \$2,540 is allocated for food, or \$50 a week; \$2,700 is allocated for housing or \$225 a month; \$855 for transportation, which would have to include the cost of the car, the insurance, the maintenance, gas license fees, etc., \$1,158 for clothing and personal care, \$600 for medical care, \$636 for other family consumption, such as furniture and household items, \$1,703 for personal income tax, and \$944 for gifts, contributions, personal life insurance, occupational expenses, and Social Security costs.

Speaking for myself, I know that we can't get along on \$50.00 a week for food, I know that transportation expenses are way beyond \$855 a year, and I notice that the budget makes no provision for the cost of sending our children to college. This is a goal of thousands of our union members, that their children have the opportunity for a higher education and a decent job for the future.

In summary, the \$11,000 budget is certainly something that all our members should be able to enjoy. The fact is, however, that our members earn on the average \$5,000 a year less than this \$11,200 budget figure. The fact is that even where another member of their family is working, many of our members don't come near this figure, and the fact is that tens of thousands of the workers who are employed in our plants have young children and their wives cannot work. They must go deeply into debt in order to try to make up the failure of their earning power to meet today's requirements. Rather than saddle the hundreds of thousands of working people in New Jersey with another tax burden they cannot withstand, we feel that this legislature and the Governor should call together a tax convention representing all segments of our society for the purpose of obtaining the necessary income which our state and its escalating needs require.

Such a tax convention should once and for all resolve to put aside political considerations and maneuvering and get to the source of the problem.

Such a convention should act to eliminate the sales tax altogether. Such a convention should consider the possibilities of an income tax which would exempt families who do not meet the \$11,200 moderate budget standard, and be graduated in such a manner that the very wealthiest will pay their appropriate share of making New Jersey a viable state.

In addition, we believe that our Governor, who has rapport with the Nixon Administration and who is a skilled legislator.

himself, should give leadership in fighting for a federal program which will return to New Jersey an equitable share of the federal taxes which our citizens pay annually to the federal government. This is the only way that our state and others will be able to meet the challenge of the '70's which will require in our state, staggering amounts for education, for welfare, for control of air and water pollution, for an up-dated transit system, for job training, and for the rebuilding of our cities.

Certainly, when we review these pressing needs, we can see how unfair it is for the leader of our state to turn to the sales tax and those least able to pay, and say to them, it is on your shoulders that these burdens must be carried. The truth is that the 5% sales tax will not do the trick, and will have to be added to piece meal in the future. We are starting a new decade and in meeting the challenge of the seventies, we of the IUC ask you to make a thorough study of the tax picture, to level taxes fairly and equitably, and to make certain that the federal government reorders its priorities so that our needs become theirs.

That concludes my prepared statement, Mr. Chairman, and if you have any questions that I might be able to answer, I will be very happy to do so.

SENATOR DEL TUFO: Mr. Veneri, on the first page of your statement you say the interest rate is reaching 10 per cent. The legal rate in New Jersey is 8 per cent. Well, I'll make it 7-1/2.

MR. VENERI: What I'm saying, Senator, is that it is slowly approaching that. It will get there. Someone has to stop

somebody, because we are hearing right now much of this because we happen to have well over 90,000 workers on strike in G.E.

Before closing, one other thing: We are finding out some things we didn't know until a week or two ago, and what we are saying is that slowly but surely we will get to that 10 per cent figure if something isn't done to take care of the poor people not only in this State but in this entire nation.

SENATOR DEL TUFO: Mr. Veneri, I think you heard me ask Joel Jacobson the question where I said that Paul Steelman who represents industry - in his very good statement mentioned there ought to be off-track betting in New Jersey. How does your Union feel about that?

MR. VENERI: Well, frankly, I cannot give you the expression of the membership. We didn't take any of this up on the Executive Board at the Convention. What I have said here today, we did. I am not that familiar with it but if it will bring revenue, Senator Del Tufo, if it will do something fine, I wouldn't care if they extended the racing dates or if they charged more. If people want to gamble, if they want to go to the track, that's their business. That means they can afford it, and let's get some money for that as long as it's toward a good purpose.

You know, I read this business in the New York Times - I believe it's the issue of January 5th - where it talks about a fellow working for a friend of his and making \$10,800 a year. He said, "I get an increase every year and I just

never find myself ahead. It's quite an article. The name is Glenn R. Cropsy. The man he works for is the Chase Manhattan Bank. You know they are crying also. He's not a member of my Union but they are crying too.

Some people want to know about the question of the income tax, and I don't know. I don't have all the answers.

SENATOR DEL TUFO: I got my answer.

MR. VENERI: I just wanted to say this for the benefit of other people. I have heard some people here talk about how terrible income taxes are. We Union people want to do our share; we want to pay our taxes; we know that we can at least have it taken out of our pay check, and it's a wonderful system. In fact, if we are going to have any kind of tax at all, I think it should be a graduated income tax. I think it's the fairest system of taxation ever devised anywhere in this world. You know, we talk about getting some money from the federal government to help the State and to help our cities that are in such bad need of funds. One way to do it is let's have the income tax if we have to have any. And I'm being consistent, because several years ago my Union was opposed to any kind of sales tax but would at that time have supported an income tax. And I am quite certain that after the Tax Convention, if it is the feeling that we do need this money, honestly need it, then we'll pay our fair share but I think it should be done on a graduated basis, and people who are listed as being poor people should not be made to pay any of these taxes. I think it's a damn shame when people who are collecting

welfare checks go to a store and buy something and have to pay tax. I think something ought to be done about it. I think if we are such a wonderful country and the richest country, and I know that we are, I believe we ought to do something about the poor people. And we have an opportunity right here in the State to get it started. As far as I'm concerned, I am not too interested in what they are doing in other States. I feel that it is we who are trying to get money that we need, and as long as we need it, we'll pay our share. But let's have a tax convention and let's get all kinds of people from all walks of life represented at that convention, and then let's see what we need.

ASSEMBLYMAN DeKORTE: Assemblyman Fiore.

ASSEMBLYMAN FIORE: Mr. Veneri, I see here, according to the U.S. Department of Labor, that in Northeastern New Jersey for a family of four \$11,236 is a moderate income and then, of course, you break it down.

I also see on the next page you ask for a convention regarding an income tax which would exempt families who do not meet the \$11,200 moderate budget standard. Now from the information that came from the U.S. Department of Labor, do you feel in this situation that the northeastern part of New Jersey or the northern counties would be paying a greater share of taxes to the State, because apparently the income in this particular area is moderate at \$11,236 because of the high cost of living in this area. It may be because it is close to New York - I don't know. But do you feel that these people then, regarding an income tax, will be

discriminated against, because maybe in other parts of the State \$11,236 may not be moderate for a family of four.

MR. VENERI: Our national structure of taxes is based on that ability to pay. If you earn more money than I do, you pay more. Yes, Northeastern New Jersey is considered in the same category as New York City. They would probably be paying a little more, but you see, Mr. Assemblyman, the point is you are making it. As I sit here and you sit there, I can say that to enact an income tax takes more money out of my own pocket, but with the thousands of people that I represent, they would pay no tax, and if I had to pay an extra dollar or two, I'd rather do that, and see the poor people who can't afford it, you know, get by without having to pay it. That's my point.

ASSEMBLYMAN FIORE: One other question, Mr. Veneri.

In regard to the taxing of machinery, etc., do you feel as a Labor man taxing these items would create a chaos in jobs and also in expansion and maybe in location of industries in this State?

MR. VENERI: Well, frankly, Mr. Assemblyman, on that question I have no figures or data, but I do know that when we were opposing this surtax business, and I am using it as a comparison on a federal basis, I can remember our President campaigning and a couple of things he was going to do - he was going to take care of the oil depletion allowance, and get rid of the surtax, and unless some of us fight like we have been fighting we will ^{have} a surtax for the next 10 years, although it's supposed to expire. Also on equipment and machinery, I believe it was a 7 or 8 per cent allowance - I don't know, but I do know

this, that when the year ends, the people I represent and the people I am speaking of, they have no money, they just got by - Westinghouse, General Motors, General Electric, they didn't just get by; they had millions left over.

Thank you.

ASSEMBLYMAN DeKORTE: Is there anything further?

Thank you, Mr. Veneri, for coming in.

Ruth Glick. Is Ruth Glick still with us? (No response)

I will call Leonard Ruppert.

L E O N H A R D H. R U P P E R T: Chairman DeKorte, members of the Assembly Committee on Taxation, and the Senate members present: My name is Leonard H. Ruppert. I am Executive Director of the New Jersey Petroleum Council, an organization representing both major and smaller oil companies doing business within New Jersey, with offices at 1305 Parkside Avenue, Trenton,

First, I would like to thank the Committee on behalf of the Council for this opportunity to offer comment concerning proposed Assembly Bill 416. Our principal concern today is not with those provisions of the bill which would increase the sales tax rate from three to five per cent, but with the amendment on page 9 deleting subsection (m) (1) of Section 8 of the existing Act.

This subsection - commonly known as the "manufacturing exemption" - now exempts from the tax "Sales of machinery, apparatus or equipment for use or consumption directly and primarily in the production of tangible personal property by manufacturing, processing, assembling or refining."

Frankly, the decision to delete this exemption caught

our own industry by surprise. Earlier discussions of removing sales tax exemptions had indicated that those exemptions removed would cover non-essential or "luxury" items. In our own case, the exemption now provided for machinery and equipment used in refining falls entirely in a different category.

It is important, we think, to consider why this particular exemption was included in the law originally. Those familiar with its history are aware that the machinery and equipment exemption became a part of the existing statute only after careful review, and for a definite reason. This reason, in essence, was that the New Jersey economy had an urgent and continuing need to attract new and expanded industry if the State was to have the jobs and economic strength vital to its future progress. The Legislature at that time recognized that without a sound and growing business foundation, essential government programs could not be adequately financed and the State's citizens could not enjoy the benefits derived from an improved rate of economic development. Taken into consideration was the fact that other major industrial states provided similar exemptions. If New Jersey was to remain competitive with those States, it must not put up additional barriers to expansion of existing plants and to attraction of new facilities.

During the few years since the sales tax became effective, these reasons have not changed. If anything, in view of today's economic conditions, they are even more important than previously.

Consider for a moment the decision facing a major manu-

facturing company which desires to locate or expand a plant in the New York-New Jersey-Philadelphia metropolitan areas - these being major markets. Such a company has a choice of New York, Pennsylvania, New Jersey or Delaware, all of which have good manpower supply and essential transportation and port facilities. Not one of these States presently imposes a sales tax on machinery or equipment used primarily for manufacturing or, in our case, refining operations. All are competing actively to attract new business investments and to retain their existing businesses. New York, for one, recognized its need for these investments by acting only last year to offer a special one per cent credit against its corporate-franchise tax in an attempt to increase its attractiveness. Other States have considered similar incentives.

New Jersey, on the other hand, already has high costs of doing business and also imposes a business personal property tax. If it now took the action proposed by Assembly Bill 416, which would tax you substantially for the privilege of locating your plant here or for adding machinery or equipment at an existing location, which state would you, as a manufacturer, be inclined to choose? Chances are good that it would not be New Jersey, all other things being equal.

It should not be implied from our testimony that we in the petroleum industry do not recognize that New Jersey has a need for new tax revenues, or that we are opposing the proposed increase in the rate, or that we are not at the present time paying substantial sums in sales taxes.

On the latter point, I can assure you that the petroleum industry and its various segments already pay millions of dollars in sales taxes in addition to other taxes. The machinery exemption we cite is actually a narrow exemption designed to prevent pyramiding costs in the production process. In all other areas - at our bulk plants, manufacturing and retail outlets - we pay the tax on purchases as does everyone else. All office and administration items, ranging from stationery to desk chairs to calculators, data processing machines, etc., are taxable. So is a long list of necessary maintenance items, such as great amounts of pipes and fittings, switches, lumber, air conditioners, concrete blocks, bricks and cement and many, many others. And so are dozens of warehouse and distribution purchases and equipment-supply purchases, including major items such as lift trucks, cranes, weighing and measuring devices, tractors, trailers, bins and tanks, to mention only a few--service station pumps.

We are not asking that this situation be changed. The rate increase itself will constitute a two-thirds increase in cost, and I can assure you that we are talking here of large sums of money. But we willingly accept the fact that industry must pay its fair share of government expense and we certainly do not object to paying ours.

At the same time we do not believe that removal of the machinery and equipment exemption is in the best interest of the State's economy. We say to you in utmost sincerity that this is an action that would discourage economic

growth by persuading new employers to locate elsewhere. It would penalize expansion and modernization by existing employers. We are not "crying wolf" in saying that it would result in fewer new job opportunities at a time they are certain to be needed. The facts of economic life today are that the plants we would never see built and the jobs we would never see created would be numerous.

With regard to our own industry, a feature of the proposed legislation that would be especially unfair and burdensome to us is that producers of petroleum products would be placed at a clear competitive disadvantage with producers of other fuels. It should be noted that Section 8 (m) (2) of the existing law would remain intact. This section exempts sales of machinery and equipment used to produce and distribute gas, electricity, steam and water. Thus the amendment deleting section (m) (1) hits our refining industry unfairly in that machinery and equipment used to produce petroleum fuels would now be subject to tax, but similar material used to produce competitive fuels would remain exempt. This, we submit, would be discrimination.

The fact that these are directly competitive areas and the desirability of not discriminating between them is wisely recognized in Section 8 (g) where the sales of "gas, water, steam, fuel, electricity," to consumers are all exempted. So that there is no misunderstanding, let me say that we believe this exemption, as well as the exemption under Section 8 (m) (2), cover essential items which should remain exempted. We also believe that there should be no discrimination between petroleum fuel and the production of other fuels

which are in direct competition. All should have equal exemption, with the balance not being upset by adding substantial costs to one fuel at the manufacturing level. These costs undoubtedly would be reflected in the marketplace to our and the public's disadvantage.

To summarize, we of the petroleum industry respectfully request that this committee in its deliberations carefully consider the following points:

1. Deletion of the present exemption for machinery and equipment used in manufacturing would have a decidedly harmful effect on New Jersey's economic development, retarding industrial growth and slowing the creation of job opportunities.

2. Taxing petroleum products at the manufacturing level would discriminate between competing fuels.

3. Before taxing necessities, all attempts should be exhausted to first tax non-essential or luxury items.

I know it's been a long day for you. Thank you for your kind attention.

ASSEMBLYMAN DeKORTE: Thank you very much. Any questions? [No questions]

Al N. Lehman.

A L N. L E H M A N: Mr. Chairman and members of the Committee: It has been a long day but, believe me, I really appreciate the opportunity to be here. I had the privilege of listening to Dr. Norman Vincent Peale about two weeks ago in Miami and the whole thrust of his sermon that morning was "Thank God, people have problems," because if they didn't have any problems they couldn't activate their mind toward solving them; if they didn't have

any problems they would be six feet under, so maybe we can go ahead and try to offer a few solutions in solving them.

My name is Al N. Lehman and I am the Executive Vice President of the New Jersey Automobile Dealers Association. Our membership represents approximately 800 of the franchised retail automobile dealers in the State of New Jersey. And, incidentally, those dealers employ approximately 28,000 New Jersey citizens.

We well realize that the subject of taxation is a very unpopular one. In terms of New Jersey sales tax revenue, the retail automobile dealer is the largest single collector of these moneys for the State. While the sales tax is not paid directly from the dealer's pocket, it should be pointed out that the automobile is already heavily taxed by the Federal Government through an excise tax and, at the State level, through a sales tax, registration fees, and license fees - and the cost of the product, gentlemen, drastically affects sales.

All of this adds up to an additional \$200 to \$300, or even more, in the purchase of a new automobile to the consumer at the present rates. Our statistics show that the average new car retailed is approximately \$3,300, so if 2 per cent were added to the existing sales tax, you are talking about an additional charge to the consumer of approximately \$66. This amount, added to the figure previously stated, often may be enough to be a deciding factor as to whether the consumer will purchase a new

automobile or decide to wait.

If the sales tax were to be increased, we are sure that our members' sales would be adversely affected, while their responsibilities as agents for the State in collecting this tax would be increased.

On the other hand, we believe our membership does recognize a higher responsibility, as New Jersey businessmen and residents, to the over-all public obligation of State government. We know it costs money to provide the manifold services expected of progressive government, and, in addition, to support our schools, build our highways, colleges and institutions. As businessmen and citizens, we can only hope that these services are performed in the most efficient manner possible, thus avoiding unnecessary taxation.

If, in the opinion of the Governor, his fiscal advisors, the members of this Committee and the Legislature, there is no way to avoid a budget deficit in the next fiscal year, which we understand will be in the neighborhood of approximately three hundred million dollars, then our Association membership will assume their responsibilities and are prepared to support the Governor and his administration in implementing the collection of this additional sales tax burden.

Before we offer this support, however, we understand there are continuing legislative discussions concerning basic tax reforms. Is an increase in the sales tax rate the most equitable method to raise needed funds? For example, Senate Bill 452 is only one measure already introduced.

and there are many others mentioned today which calls for an immediate comprehensive review of the State's broad tax system. We would urge the Legislature to explore this avenue carefully before adoption of any new sources of revenue - in fairness to all New Jersey citizens.

If there is in fact a legitimate need for an increase in the sales tax rate, there are several areas of concern which the membership of our Association would bring to the attention of this Committee:

First, the sales tax law as originally enacted in 1966, in our opinion, was passed as a matter of political expediency in answer to a fiscal crisis. The law is replete with exemptions. It is our understanding that even if the State would continue the necessity exemptions - food, clothing, and medicines at the 3 per cent rate, the State could collect many additional millions of dollars and perhaps as high as seventy-five million by eliminating other exemptions outlined in the law. At the worst, the administration of the law would be greatly simplified and thus considerable moneys could be saved. This path may not be politically expedient to some, but it is a method to gain additional revenues which deserve genuine consideration by this Committee.

Second, as previously stated, the retail automobile industry is the largest single source of sales tax revenue. In addition to the responsibility of acting as the State's agents in collecting the sales tax for the State, all retailers, and automobile dealers in particular, have been

saddled with a highly discriminatory add-on sales tax - commonly known as the retail gross receipts tax.

If there is to be a discussion on the possibility of expanding the present sales tax, is there not a parallel opportunity for the Legislature to eliminate what is perhaps the most inequitable tax now on the books in New Jersey - the retail gross receipts tax - which is particularly unfair because it taxes a retailer's gross sales regardless of whether or not he is making a profit?

We submit, gentlemen, that the direct impact of this levy is such that it destroys the confidence of the New Jersey retailer in his government. It can only be considered a special tax on the merchant and is admitted to be grossly discriminatory by a high number of members of the Legislature who are seeking its repeal.

It is our sincere belief that this Legislature would earn for itself the plaudits of a large section of the New Jersey business community if it were to repeal this grossly inequitable tax as presently advocated by Senate Bill 122.

We would venture the opinion that the public funds expended in collecting this tax, if put to better use in enforcing the sales tax, could produce a higher return for the State than the \$3.8 million collected under the gross receipts tax last year. As an example, within the past 5 months the Sales Tax Bureau, whose staff also administers the gross receipts tax, has found it necessary to request a waiver of the 3-year limitation imposed by the sales tax law for audit of automobile dealers' records (and I understand

this same waiver was also requested of other retail industries) apparently due to a lack of manpower within the department. Could not this manpower be more efficiently used in administering only one law, the law which incidentally brings in by far the greatest amount of revenue?

Third, we would also like to comment on proposals that have been with you ever since the enactment of the sales tax - that being, the State make some recognition of the burden placed on retailers in collecting the sales tax levy. All of us are aware of the bookkeeping burden that is placed upon the businessman in acting as the State's agent in collecting the sales tax. For many enterprises, this has involved the hiring of additional personnel, and, for others, existing employees must take time from other pressing duties. We strongly urge your consideration of passage of such legislation as Senate Bill 18, which would grant business at least a one per cent discount of sales tax collected as consideration for prompt collection and remission of the tax. Not only would this partially compensate for the added collection expense, but it would act as an inducement for the efficient functioning of the system.

We do not propose to comment on other elements in the proposed tax "package," since our industry appears not to be too directly affected by the proposals, and we certainly do not hold ourselves out to be experts on the broad economic impact of these additional levies.

Our Association, gentlemen, looks forward to working

with the Legislature and the administration hopefully in making New Jersey an even better state in which to live and do business.

If there are any questions, I will be very happy to answer them.

ASSEMBLYMAN DeKORTE: Are there any questions?

SENATOR DUMONT: Just one comment, Mr. Chairman. I would like to agree wholeheartedly with Mr. Lehman on the passage of those two Senate bills he referred to in the statement.

SENATOR CRABIEL: Who is the sponsor, Senator Dumont?

SENATOR DUMONT: It's a wonder that wasn't brought up earlier.

MR. LEHMAN: I would like to make one comment if I may. I referred two or three times in my prepared text to the fact that our industry was the largest single source of sales tax revenue. This is based on the approximate sale of new cars in the State of 375,000 new cars annually, and you will find that approximately two used cars are sold for every new car. Our industry, speaking of new car sales only, generated better than two billion seven hundred and fifty thousand dollars sales last year in this State, and I think that would give you some small measure of the moneys collected for the Sales Tax Department at no compensation at all whatsoever. In fact, we even have to use our own forms and manufacture them. We are talking of approximately seventy-five million dollars paid out of the two hundred and sixty million dollars collected only by one

industry. So I would urge that perhaps we be given a little recognition as merchants and think about this retail gross receipts tax a little bit before it becomes a potential time bond and also the possible payment of something to the merchants whatever it is for consideration in collecting the tax.

ASSEMBLYMAN FIORE: Is that two used cars for one new car, or two new cars for one used car?

MR. LEHMAN: For every new car that is sold in the State, you will find that approximately one and a half used cars are sold. Actually an automobile will be sold anywhere from three to five times before it finally gets to the junk heap ten or eleven years later.

ASSEMBLYMAN DeKORTE: Thank you, Mr. Lehman.

Ann Mikiewicz.

I hope I haven't murdered your name.

A N N M I K I E W I C Z: I've been called everything, so I don't mind.

Mr. Chairman and members of the Committee, thank you for the opportunity to express ourselves. My name is Ann Mikiewicz, President of the Linden Taxpayers Association, a Director and Chairman of Action of the Federation of New Jersey Taxpayers. I am here to speak against the proposed increase in the sales tax. The presentation was written by one of the trustees and reflects the feelings and opinions of the trustees, directors, executive officers and membership in general of the FNJT. The FNJT would like to go on record as stating we are not against all taxes.

Government must have sufficient funds to carry on necessary and essential services. The Federation stands ready to defend costs for our representative type government. However, we will with equal vigor, oppose unnecessary spending in many areas and demand an immediate reduction or holding the line in essential services. The mood in general of the taxpayer is one of revolt. He no longer will be content to be the victim of confiscatory taxation. Many feel that this is the year for the tax revolt. Many feel that this is the year for the tax revolt. A feeling of frustration has overtaken most of the State's taxpayers. The frustration is due to the fact that their elected representatives are not carrying out their wishes for an all-out effort to hold the line or reduce spending. The FNJT sent a letter to the Governor-elect prior to his inauguration, and to every Senator and Assemblyman outlining what we, as a statewide organization, expected from our elected representatives. These were not random thoughts of three trustees. It is the voice of the people - taxpayers - voters - from Bergen to Sussex and down to Cape May County. It is these very people who hold your destiny in the political arena. They also hold the purse strings to whatever public funds you dispense. They are asking, or better still, pleading with you to listen to their voice through the FNJT.

We do not wish to bore you with facts and figures about what the increase in sales tax will do to any given category of the State's populace. There are mixed emotions as to what type of tax would be best for the captive

taxpayers. Many assorted pressure groups are making headlines with their opinions. Lobbyists are working overtime. No one knows this better than you, the members of the Legislature. The FNJT who is the voice or, if you prefer, the lobbyist for these taxpayers will make a plea at this time for you NOT to increase the sales tax and to check the validity of the statements of the State having a three hundred dollar deficit in the new budget. You legislators are responsible for the financial expenditures of and the allotments to the various divisions and departments. We hope you are judiciously protecting our hard-earned dollars.

The FNJT would like to recommend at this time the elimination of tax money for subsidies to private industry of any type. Tax dollars should not be spent to clean up pollution of any sort caused by industries. Many overlapping and/or duplicated services should be curtailed. The budgets for many departments are beyond reasonableness and should be cut. The Department of Community Affairs is an affront to representative government and should be eliminated in its entirety.

Legislation should be enacted to nullify the power of any appointed body or department head that can supersede the duly-elected officials of any municipality or to overrule the will of the voters in any given district. It is government by the "unelected" bureaucrat and his "empire building" tactics that the taxpayer can no longer afford. It is also government by decree and mandate that he will no longer accept. You are the elected officials and you

are responsible to the electorate. All budgetary requests should be reviewed with austerity being the prime factor. The Federation has numerous recommendations and will be happy to send representatives to discuss them with any legislative committee on finances. It is our opinion that the Legislature has delegated too much power to and given excessive financial resources to an overwhelming number of departments. It is time to review these "big spenders" and legislate them out of existence. As our elected representatives, it behooves you to return government of the people, by the people and for the people, TO THE PEOPLE. And the people are telling you to reduce spending as a sensible alternative to increasing taxes. Try it! It may get you re-elected if you decide to run again.

Submitted on behalf of the FNJT by George Wagenhoffer, Treasurer and Trustee.

Thank you, gentlemen, for the opportunity to be here. I know you are all tired.

ASSEMBLYMAN DeKORTE: Are there any questions?

Thank you again.

Gertrude Christenson.

G E R T R U D E C H R I S T I A N S O N: I would like to apologize for not having a prepared statement, but I rattled this off before I drove down to Trenton at Noon.

Gentlemen of the Taxation Committee, I am very happy to be here and I want to thank you for this opportunity to speak before you to express our views.

My name is Gertrude Christianson. I reside at 738 Kensington Avenue in Plainfield. I am President of the Taxpayers Association of Plainfield, which is a group that is now affiliated with the Federation of New Jersey Taxpayers. I am a member of the Board of Directors of the Federation of New Jersey Taxpayers and serving as its First Vice President.

I would like to speak to you about Plainfield primarily. The membership of our organization is approximately 600. Eighty per cent of our membership are senior citizens living on fixed incomes, many trying to hold onto their homes which they have lived in and paid local property taxes on for 40 years or longer. A 2 per cent sales tax increase would severely hurt this group of citizens and will virtually cancel out the \$80 per year property tax reduction which the Legislature allows them.

Ten per cent of our membership are small business people - barbers, beauty shop owners, luncheonette owners, novelty shop owners, small corner deli owners, etc. The 2 per cent sales tax will severely hurt their business because they have to be competitive when they are a neighborhood business. Many have complained to our organization about the cost of book work to collect sales tax for the State. The need to hire an accountant to fill out State forms and so forth has cost them \$50 per year

and more and with a very small business this is quite a sum. It hurts more than it would the automobile industry and other large industries like that.

Many of them have found the situation in Plainfield such that when their leases expire, they are going to leave town.

Many of them have also complained about the State sales tax people who call on them, hinting for a free lunch or other forms of gratuities. They don't like the fact that somebody is calling on them if something is not right up to snuff with their forms.

The remaining 10 per cent of our membership is comprised of low middle-income families, many families of city employees with a take-home pay of less than \$90 per week. I think this gentleman mentioned something about a moderate income being \$11,000 something. City employees are taking home pay equal to \$2.49 an hour and this is pretty hard. Also there is the blue-collar worker with periodic layoffs and the white-collar worker who is not protected by a labor union. This man is so badly needed by our small manufacturing companies throughout the State that contribute much to the local property taxes and to the State with their personal property taxes. The small companies have done much to make New Jersey one of the wealthiest states industrially in the United States.

So our fine state is \$300,000,000 in debt. This is not surprising considering the vast spending spree our previous legislators have been on. Why do you think there has been a Republican surge in this past election? Because the people want a change. In past history, the Republican Party has always been noted for

its sensible approach to spending and debt. But, alas, many of our come-lately Republicans have just acquired the party label and not the conservative GOP long-time sensible approach on spending.

Our newly-elected Governor thinks that uninformed voters voted for him because of his liberal position in Congress which he admitted to in a newspaper article that I read. But the voters didn't. Actually they voted for a change and if they don't get that change, they certainly are going to let you gentlemen in the Legislature know.

Concerning Plainfield, on January 1st in our Mayor's address to the City Council and the citizens he dwells on Plainfield's problems and, believe me, this 16-page legal-sized sheet, was very depressing and we are practically down the drain or at least we are in the same category as the City of Newark. The only difference is it is on a much smaller scale. However, he ends up this memorable address by saying, "We are dissatisfied with the amount of State and Federal assistance given to the City of Plainfield. Our residential taxpayers cannot support the services we must provide our citizens. The mortgage market and the small size of our city has prevented us from securing the significant increases in tax ratables that would help ease this burden. Our only answer is to apply for and obtain still more State and Federal funds."

I might add that each December for the past five years, the number of properties that have been up for tax sale for non-payment of taxes has increased. In December, 1969, in Plainfield, there were 45 properties up for tax sale and 31 of them the City

of Plainfield had to take back because there were no takers.

Why are we and other cities in such a mess? It is because of the Federal and State programs which have encouraged the demolishing of tax ratables, such as the Federal government and its urban renewal schemes, and added to this is the extra push into the deep crevice which we got from the Department of Community Affairs since its devious inception three years ago.

I might add that our town government has continually taken down block after block to put up tax-free buildings and all these have been pushed upon us because of some program that has come from the Federal government or the State government with matching funds. And you cannot continue to demolish good, sound ratables and put up something that becomes tax free without a town going down the drain. I feel why should other towns have to come to our rescue and bail us out because we have a local government that has just continued to bend to the pressure of special interest groups in the community.

For the Department of Community Affairs, the appropriation the first year was \$9.8 million. Last year's appropriation was \$20 million. I haven't seen the budget for this year, but I wonder what could it be this year, \$40 million or more? The answer is don't appropriate but rather abolish this department because all it has done in Plainfield - and this is no statement of mine alone - this is coming from many citizens -- what it has done in Plainfield is to push upon us discriminatory socialistic programs which have contributed to the further polarization of our community. Most of these programs are for special people and the taxpayer or somebody else doesn't qualify. If you

want to look into it, look into their program that they have for the six-family dwellings and up where you can get your building completely renovated for the benefit of slum landlords and then find a way to tax more in order to pay for what you have appropriated. Are you all so intelligent that you can't see or figure a way out of this?

Suppose I was \$3,000 in debt. Would or should I continue to increase my purchases and unnecessary spending? If I did, I would soon be in court with my creditors. But I wouldn't do this because I am an intelligent housewife whose husband is earning a moderate salary and I know that one and one equal two. If I have \$150 per week coming in, I can't spend \$200 a week or I'll soon be in trouble. We housewives have learned, and even more so with this present inflation, how to juggle a household budget. I feel what this State needs right now is more housewives and less lawyers running for the Legislature.

Besides abolishing the Department of Community Affairs with its extravagant budget, we would like to suggest other ways to cut down the \$300 million debt: Cut back the pay increases given to the Governor and the cabinet posts which were recommended by the Vieser Committee. These increases totalled \$1,140,000. The Legislature said that the money was in the budget. I assume it was in the budget up to July or June 30th. But now you want to squeeze pennies out of poor people.

I would like to point out an article that was in the New York News January 21st. The headline is, "Mayors send Cahill Santa note." And this, of course, is the New Jersey Conference of Mayors where they want more money for the communities and the

Vice President of this Conference was Mr. Edward Hume, the Mayor of Maplewood who has now been made head of the Department of Community Affairs. Also there was an article mentioned in the Newark News on January 18th about Mr. Vieser's new job. It seems that he has been made State Republican Finance Chairman. It makes me wonder - I can't help but wonder if maybe this was the reason for the big raises. Is it possible there is going to be a kickback to the Republican Finance Committee? I am a Republican Committeewoman, incidentally, so this hurts.

ASSEMBLYMAN DE KORTE: It hurts me too.

MRS. CHRISTIANSON: Another way of cutting down is education. I don't know if you gentlemen had the opportunity the other night to watch Mr. Nixon on television when he vetoed the Education Appropriation Bill. He mentioned that at no other time in history have we spent so much on education. Yet we are turning out school children day after day, year after year, graduates of our schools who can't even read.

Locally, in a town like Plainfield, the education cost to local municipalities have been jumping up each year by a million or two million dollars. I feel that there is something wrong with education that we aren't turning out students with a good sound background in reading, writing and arithmetic as we did in the days when you and I went to school. Also I wonder why education in Plainfield costs \$907 per year for one student. I happen to have two children - I have had three who have gone through the Plainfield school system -- I now have two younger children, one in 8th grade and one in 4th grade, in a private Christian School and for the two children it is costing me \$600

per year and they are getting a far better education than they could in our Plainfield school system. And I can't understand why private schools can do this and our local public education systems can't.

Another thing that the State might do is give up Rutgers University. I remember the days when Rutgers was a private university and I feel that this might be one way of cutting down, to turn it back into the hands of private trusteeship or something again so it could be run as a private university. I feel that the amount of requests for money in this year's budget is going to be very big. I am sure that Mason Gross is going to have a request for his new college, the Livingston Campus, or whatever it is.

We have a local radio station in Plainfield with an open mike program which I listen to when I can, when I am not working. There have been a number of people calling in about the tax situation. Of course, a lot of them have been concerned about Drumthwacket. Now I know that Drumthwacket was purchased a while back, last year or the year before, by the State because it is a historical site. Many people feel that Governor Cahill is going to want this as a home since he has decided he doesn't want to live in Morven and prefers to remain in his own home. I think that as soon as Drumthwacket is renovated at a cost of approximately \$400,000 or more, perhaps this will then become the Governor's residence. I think that Drumthwacket, if the State has purchased it, should be turned over to a historical society and let them renovate it and maintain it.

Also the deficit caused by last year's legislation

concerning, one, the Medicaid program, which turned out to cost much more than was originally anticipated, there were persons who predicted this would be the case but many legislators didn't want to listen. Two, Aid to Dependent Children is another reason I understand we have this deficit.

Last week Representative Green from Oregon pointed out in Congress that a woman with eight children, if she availed herself of all the Federal programs that she is qualified for, would have a total annual income of \$21,900. Is it necessary for New Jersey to further overload the burden bearers by making them more responsible for the misdeeds of many irresponsible persons who prefer to remain a burden to society because it is quite profitable?

Other recommendations could be looking into present taxing programs. Correct the inequities in the present sales tax program, such as taxing of pain-killing drugs and household paper products and soap. Also possibly increased tax on luxury items and forms of entertainment. This could take in gambling. I don't gamble. I am not the least bit interested in it. I can't afford to go out for any entertainment whatsoever. I do smoke cigarettes and I am willing to pay the tax because I am stupid enough to continue smoking. Likewise liquor - I feel this is a luxury and a tax increase wouldn't hurt. Push for implementation of the lottery which received more votes than the Governor, which shows that persons of both parties approved of it. Work with New Jersey's Federal representatives to bring more money back from Washington to our State. We presently rank 50th in the Nation. I'm not sure of the exact

figures, but I think it is \$1.84 that we send to Washington and we get back \$1.00. I have been a firm believer that the Legislature should meet twice a year with Congressmen and Senators. They should come back and meet with you. I don't want you to go down to Washington. But I think they should come back to their districts and they should meet with the State Legislature. This is being done in Florida and I think it is something I would like to see done in New Jersey because it might help if we had some sort of working relationship to get more money back from Washington to the State of New Jersey.

ASSEMBLYMAN DORGAN: Mr. Chairman, I think we are going quite far afield.

ASSEMBLYMAN DE KORTE: Yes, for a girl who didn't have time to prepare a statement, you are doing very well.

MRS. CHRISTIANSON: The last thing, I think you ought to look into the autonomous authorities, mainly the Garden State Parkway, and so forth, and see what moneys can be coming back for highways elsewhere. Also look into taxing tax-free properties and tax-free foundations. And above all, stop spending what you don't have. Let us start a precedent and have a fiscally responsible State government, even if no other state or the Federal government ever gets around to being fiscally sound.

I want to comment on something Senator Dumont said. I heard on the radio a statement by him - this is my own personal comment - about the fact if we increase the sales tax, it is going to discourage business that we get from New York and Pennsylvania. Of course, Paramus is an example of this, a shopping center up there. Many people do come across into

New Jersey to shop.

I think Governor Cahill has made an attempt to do something by having the lights turned out in the State House. Let's go a little further. Every little bit is a drop in the bucket, but it adds up to something.

I heard Pete McDonough on the radio driving down here. He was interviewed on one of our local stations and he pointed out that he is going to introduce legislation to have everybody in government, those working for the government departments, fill out a job classification sheet because there are many people that are never seen who are on the payroll. I think this is a step in the right direction and I hope you gentlemen will continue.

ASSEMBLYMAN DE KORTE: Thank you.

Thomas S. Watson, Jr., please. Thank you for your patience, Mr. Watson.

T H O M A S S. W A T S O N, J R.: Mr. Chairman and Committee members: My name is Thomas Watson. I reside at 1022 North 24th Street, Camden, New Jersey. I am here to add one more voice of dissent to the 2 per cent increase in the sales tax. Taxation in this state has reached the saturation point. In the City of Camden, the real estate tax is rising to \$14.80 per hundred. A councilman has suggested a city wage tax be imposed. The Cahill administration wants to increase the sales tax and we all realize it's only a matter of time before we are burdened with a State income tax. With the apparent upswing of increased State spending, there is no relief in sight for

the already overburdened taxpayer. In the City of Camden many people who have worked all their life to own their homes, must now sell them due to their inability to pay the spiraling tax rate.

I have not come here only to criticize. It is possible to cut taxes throughout the State and still bring in the \$300 million that is needed in the Cahill administration. - my proposal to the State Lottery Commission on January 5th for legalizing numbers and off-track betting, State operated and regulated, with the first \$300 million or set percentage going to the State and the remaining \$400 million or more to go back to the twenty-one counties. These monies would be used for the express purpose of lowering real estate property taxes, perhaps to the point where those living on fixed incomes could afford it. Adopting this type lottery would negate the necessity of an increased sales tax or a State income tax, and actually give the taxpayer a cut in taxes.

It is for this reason that I implore this legislative body to bring pressure to bear on their colleagues and also the Cahill administration, to give us a lottery which will mean something to the taxpayer. I would be more than happy to sit down with any legislator to put my proposal into detail so that enabling legislation could be drawn up. The advantages of this are as follows:

1. It would relieve the financial pressure on the State budget.
2. It would lower real estate taxes in the State.
3. It would deprive organized crime from one of their

largest sources of income.

4. It would enable our police departments to spend more time in making our streets safe to walk.

5. It would save our police departments approximately 12 million a year throughout the State.

6. It would be a stopgap measure in the ever-rising welfare costs.

7. It would stop a major cause of corruption in State and local governments.

With these apparent benefits, I fail to see where any moral issue exists. It seems the main issue is: Do the legislators of this State have the courage to oppose gambling and racing interests? Will the fear of having large sums of money used against them in their bid for reelection stop them from acting in the best interests of their constituents? I ask all of you to examine your consciences. Do you really oppose this on a moral issue? Or is there a more practical one?

The voters of this State ask, no, not ask, demand relief from ever-rising taxes. They await your answer. Thank you.

ASSEMBLYMAN DE KORTE: Thank you, Mr. Watson. Any questions of Mr. Watson?

SENATOR DUMONT: How much did you say that your proposal for off-track betting would produce?

MR. WATSON: I think a very conservative figure is \$700 million in the State of New Jersey.

SENATOR DUMONT: Your proposal then, I imagine, would have to be vastly different from the one being introduced in the New York Legislature for the City of New York. Their estimate is

only \$200 million for the City of New York.

MR. WATSON: This is true. They are going strictly for off-track betting. I think in the State of New Jersey we should go for legalized numbers and off-track betting in competition with organized crime and also with the option of later on going into betting on sporting events which in all probability would surpass our whole State budget, the moneys received.

SENATOR DUMONT: All right. Thank you.

ASSEMBLYMAN DORGAN: Mr. Chairman --

ASSEMBLYMAN DE KORTE: Yes, Assemblyman.

ASSEMBLYMAN DORGAN: Just a matter of semantics - I think this gentleman stated the Cahill administration wants to impose an income tax and I don't think the Cahill administration wants to. I would like the record to read more that they feel there is no other practical alternative, rather than saying they want to. I am sure he doesn't want to.

MR. WATSON: Well, I feel this is a practical alternative.

ASSEMBLYMAN DE KORTE: Thank you.

Stanley Sredzinski, please.

S T A N L E Y S R E D Z I N S K I: Mr. Chairman and members of the Committee: I want you to glance at these. [Mr. Sredzinski hands Committee exhibits.] I want the documents to go into the record, if you please.

ASSEMBLYMAN DE KORTE: If you hand them to the young lady, they will go in the record.

MR. SREDZINSKI: First, my name is Stanley Sredzinski, 43 Raritan Road, Linden, New Jersey, Coordinator - Gathering Petition Signatories against Sales Tax.

Now there is a copy of the signatures where the citizens of New Jersey slaved day and night and spent thousands and thousands of dollars and went in the basket.

The next document, is the one that is in your hands.

After this - an open letter to Governor Hughes and the Senate and the Assembly, dated September 14, 1966. That's how the Democrats got wiped out at that time.

November 18, 1967, a letter addressed to the Governor and the Legislature. And on this, Mr. Chairman, I will make just a brief remark or two and save you the agony of public hearing.

In the first place, the Majority Leader Harry L. Sears invited all the citizens - and this is a direct quote - "Unless they can specify the state aid and other spending programs they are willing to cut. . .," - express your ideas. And here is my answer: "They, he means us, the taxpayers specify a few, and I quote these things. Of course, it's a potpourri more or less because I appealed to the general public. I don't appeal to the intelligent legislators because maybe they miss some points.

Now you will read - how about the letters that I continually sent for the last many years to you all? You got them. You have them in your possession. Of course, we are your employers, but you just ignore the public. The fantastic outburst of the Chairman calling a policeman to clear the floor - this was terrific.

ASSEMBLYMAN DE KORTE: Not to clear the floor, just to remove you.

MR. SREDZINSKI: I will make a special appeal to the newly-elected Governor and I have a badge - it's the Polish

Heritage Committee - and we worked like hell to put him over. I didn't tell that to you before because I want you to meet me on a common ground.

Now the big thing I want to leave -- for instance, why we are in debt? Why don't you create a provision in the laws where you could hold the administration that just was wiped out with Governor Hughes and you who sit on the seats here in the Legislature for many years - that you didn't have that foresight, to foresee a debt of \$300 million?

Now the only remedy is to economize and follow Mr. McDermott, who is my good friend, and call a convention. There's nothing to it. I attended one of these reapportionment conventions. I also got a raw deal and the Chairman, Mr. Foley - mark my word - it's in the record - apologized publicly. I can't see, Mr. Chairman, that you should pick any man in America to sic a cop on him.

We, the Polish people, of rich heritage, had more generals than any other nationality and you an intellectual, a diplomatic parliamentarian like Christopher Dietz, a wonderful man -- I think you'd better go to school and learn something.

I also approve, Mr. Chairman, what the unions say. I have been in unions many, many years, not only as a worker, but chairman, chief steward, arbitrator -- we have had many fine fellows. And I tell you it hurts me. I want to read all these things, but I will leave that to you for your consideration.

Only one thing I want to mention - as a legislator did you observe what is happening where our taxes are higher and could

have been avoided if you had any brains - on the marriage idea - throw out the stupid long-winded divorces - abortions legalized - You save the lives of the high school girls. Four to six hundred girls every year in Newark are pregnant and they don't know who the father is and are we going to cater to them? Where are your brains? We provide special schooling, special nurseries. What's going on?

Finally, you have had a big problem with the courts and I hope you will read this thing because this is very important. California has got a good system. I think you should appoint a commission with the advice and consent of the Governor and send it out there to see how they operate. We have too many appeals and it eats our tax dollars. There's another big saving.

And I warn the women and youth of New Jersey to wake up, stop brooding, concentrate on forthcoming foreclosure of your "Home, Sweet Home." According to your brains, the sky is the limit and I'll tell you where you could set a good example and I'll admire you for it. The dissolution of the 120-man bicameral legislature would help a lot. You spent over \$200 million and the courts didn't adjudicate it yet. They say it's unconstitutional, but they will allow it. So you see the courts violate the law.

Then throw back your salary increases granted by the 1969 Legislature to legislative, judicial and executive personnel. Now you received advance payments - and I brought that out because I am human. You will forgive me - I'm probably not so gracious and diplomatic - one of these weasels - I don't believe in that. I am an independent man. I made my life a success and I want to share with you. I don't want you to snub me.

There you have a remedy on that \$300 million. You have a fat pension fund amounting to a billion dollars. Governor Hughes, also a well-to-do man - his credit card is good - your credit cards are good. Go to Governor Cahill and pledge that - not exactly \$300 million, but \$100 million - that will do. And if you can't do it, go into bankruptcy. That's the proper procedure. And let the people then wake up because as long as you kid them and use all kinds of Machiavellian systems of chloroforming and you have the papers and the radio and television behind you, you're safe. But your hours are ticking and you will have trouble and I wish that you'd read some of the letters that you received.

I will give you an example how Governor Hughes reads the letters - 12 letters documented - receipt requested. Never answered except one when he got excited when I accused him of discrimination on Polish-American judges. He instructed the secretary to write me a letter. He says, don't mind it - you come to our clam bake - and he knew damn well that I was a Republican. You see, there was no answer - evasion. I want you to know that. You want the taxpayers to come in once in a while. Now I have some nice men in Union County. They promise that they'll have these meetings, but I can't go to the meetings. Every time they have a meeting it's \$50 admission or \$150. I can't make that kind of a dollar. So you see we are losing contact.

Now the alert voters without begging the Legislature for repeal of the income tax then took it upon themselves by appropriate petition and reputed by a four to one vote - mark you.

You invited the distinguished delegates from Nebraska. I'm talking about Nebraska. They're way ahead of you boys. Any money bill there has to be put to a referendum and this single house, which we call unicameral sneaked one. But they have a provision in the Constitution. They said, "Oh, no." They got enough petitions and they abolished it. We are going to abolish the same thing if we get it. But the trouble was that Governor Edge when he was the Governor put an iron-clad clause in that we couldn't do it. So now the chickens are coming to roost. There was one provision that you can't raise the bonds and tax the stuff more. You have \$2 billion bond and I pray to God you will never sell them. There is an opening here. The Legislature plans to test the constitutionality of lifting the 6 per cent ceiling on the sale of State bonds, Senate President Raymond H. Bateman announced yesterday.

Here is my answer: Referendum first. We the stupid geese who lay the golden eggs of taxes for the greedy politicians and bankers must stop. It is not fair, Mr. Chairman and the honorable board. I see they are missing. They got tired too, while this girl maintaining her dignity is on the job and probably a lowly-paid person while you grab the \$10,000. My good God, where did you have the heart? The interest now is lost to the taxes and you have big banquets and you make big show. You don't mean a thing because you are not honest with yourself. You should grow up and study something on your Shakespearean philosophy. So I say it isn't fair or honest to John Q. Public who lacks relevant information for the forming of sound judgment because the legislators - that's you - do not inform him what

goes on and when he meekly asks questions, they sneer at him. What more perfect example, Mr. Chairman, than you portrayed? It's a tragedy. It's a calamity. An intelligent man, a nice-looking man -- I'm sorry, Mr. Chairman. But we in the Polish heritage, we have a feeling. We're not the ice box people, cool, on the Mafia style. No. We are honest. We are religious. We need more people like this.

Now I'll see what Mr. Cahill is going to do because he made an open promise that some of our men will be recognized like the Colored race or the Irish race or the Italian race. Do you know how many judges the Italians got, a fine bunch of people? 48. The Jewish people got 53 and the rest is Irish. There is not one Hungarian - one Pole and one Negro. Where is your discrimination? There is where your budget should come in and figure things out. Where is the justice?

So, after all, the citizens' prayer - and I gave you this two years ago - for this new year - and this is a new year - and every year - is that he be treated with dignity, Mr. Chairman, grace and status and not ever be pushed around. I'll never forget in my life how you sent the Gestapo in, a policeman, to take me out. And where are your brains, Mr. Chairman, to do this to an intelligent man, 80 years of age, beautiful life full of tranquility, children educated - no damn cent from the State, no scholarship - the same is true of me. After all, we the people are your employers. Respectfully yours, Stanley Sredzinski, Coordinator-Gathering Petition Signatories against Sales Tax. Thank you. And if you want any answer, call another meeting tomorrow and I'll be ready for you.

[Exhibits submitted by Mr. Sredzinski
are on file with the Committee.]

ASSEMBLYMAN DE KORTE: Thank you, Mr. Sredzinski.

John A. Inglese. You are Carl? There's a John too. There was a John who signed in before. I gather he may have left. Carl, come on ahead.

C A R L I N G L E S E: Mr. Chairman and members of the Committee: I thank you for letting me speak to you. You'll have to forgive the way I look. I've come from work. I didn't have a chance to change or anything.

ASSEMBLYMAN DE KORTE: That's quite all right.

MR. INGLESE: I am definitely opposed to the additional 2 cent tax. I can't see why we can't tax the movies according to the way they are rated by the industry, like X-rated having a higher rate of tax than G which would be general audience, for the general public.

Number two, I can't see why you can't have an entertainment tax on live music and live entertainment such as when you go dancing, places like that where there is music.

And three, car rentals. I can't see why we can't have a tax on car rentals because it is getting to be a very big industry. In fact, you see them in a lot of places now like Sears Roebuck. Everybody is renting cars and trucks. I can't see why we can't tax these people to help overcome our tax problem.

I mentioned about movies before, I think if you notice you will find out that the State of Texas has passed this in their Legislature and they say if New York City would do this, they would have enough money to run the whole city without taxing anybody. Thank you.

ASSEMBLYMAN DE KORTE: Thank you for coming in.

Are there any other witnesses or members of the general public who wish to be heard at this time? If not, this meeting is adjourned.

[Hearing adjourned]

SUBMITTED BY MRS. CHARLES PINE

TABLE II

TOTAL TAX BURDEN IN NEW JERSEY BY INCOME LEVEL

% of Net Cash Income

<u>Net Cash Income</u>	<u>Major Fed. Taxes (S.S. & Income)</u>	<u>State Taxes</u>	<u>Local Taxes</u>	<u>Total Present Taxes</u>	<u>Including State Income¹ Tax 1-7%</u>	<u>Sales² 5% Tax</u>
Under \$2,000	20.2	4.9	12.1	37.2	37.2	38.2
2,000-2,999	20.7	4.4	12.0	37.1	37.1	38.2
3,000-3,999	21.8	4.4	10.4	36.6	36.8	37.5
4,000-4,999	22.1	5.0	8.0	35.1	35.6	36.1
5,000-5,999	23.1	4.5	6.0	33.6	34.2	34.4
6,000-7,499	23.5	4.2	6.1	33.8	34.5	34.6
7,500-9,999	23.7	4.3	5.9	33.9	34.9	34.8
10,000-14,999	23.8	4.0	5.3	33.1	34.6	33.9
15,000 and over	29.0	3.0	5.4	37.4	39.6	38.0

1. yield approximately additional \$400 million

2. yield approximately additional \$200 million

Testimony

In opposition to an increase in the New Jersey

Sales Tax from 3% to 5%

January 28, 1970

UNITED AUTOMOBILE WORKERS

Region 9

**Martin Gerber
Regional Director**

**Edward F. Gray, Asst
Regional Director**

**Joel R. Jacobson
Director of Community Relations**

As the nation's defense budget and military expenditures continue their heavy drain upon federal tax resources, the plight of our nation's cities grows steadily worse. An infusion of huge sums of money to eradicate the public squalor which envelopes every one of our country's urban areas is a new imperative.

Left to their own devices, the States seek methods of raising funds which are frequently economically indefensible and morally unjust. The proposal to raise New Jersey's Sales and Use Tax from 3% to 5% is such a tax.

The United Automobile Workers, with 50,000 members living in New Jersey, is unalterably opposed to any increase in this sales tax.

The traditional arguments presented in opposition to sales taxes, still valid, are that sales taxes are regressive and place the heaviest burdens upon those least able to sustain it.

What greater amplification of this blunt economic fact is needed when, in New Jersey today, we tolerate a system where a \$100,000-a-year corporation executive pays the same identical tax as does a \$100 a week industrial worker, or for that matter, even an unemployed worker. The regressive nature of the sales tax is all too cruelly obvious.

Furthermore, the experience in neighboring states like New York and Pennsylvania demonstrates that the sales tax has a voracious appetite and after its enactment, there are constant pressures to increase the revenue by both raising the percentage of the tax and eliminating all initial exemptions.

It is an inescapable conclusion that if this first proposed increase from 3% to 5% is enacted, the next big bite will come when the exemptions for food and clothing are eliminated and the cruelty of the impact of the sales tax on low-income individuals will become even more pronounced.

New Jersey has a long and undistinguished record in emphasizing the regression of its tax structure. For years, New Jersey officials boasted about the fact that our state had no sales tax, while in reality, 60% of the state's revenues were raised through excise taxes, the fancier name for sales taxes.

In the current budget of \$1, 374, 845, 591, 60¢ of every dollar produced comes from the sales and excise taxes which impress a disproportionate burden upon low-income individuals.

The imposition of an additional 2% sales tax on top of this already-distorted tax structure, will only serve to compound the existing inequities already sustained by workers, retired citizens, and ghetto residents.

There is no economic or moral justification for this proposal.

In New Jersey, 8.8% of the population have been labeled "poor." But, of these "poor," 85% live in our state's large urban areas.

In his Inaugural Address, Governor Cahill outlined a blueprint of assistance for our state's larger cities and then added his recommendation for the 2% boost in sales taxes to pay for these programs.

Whatever nobility may be ascribed to the attempts to bolster the economic welfare of the citizens of our larger cities becomes somewhat tarnished when it is realized that the major source of the funds to pay for these programs are to be drawn from the poor themselves.

To gauge accurately the full impact of what a 5% Sales Tax will mean to the low-income family in our state's urban areas, the UAW offers the following analysis of economic conditions in New Jersey's four largest metropolitan areas, Newark, Jersey City, Paterson-Clifton-Passaic and Trenton.

1. Roughly one-third of the residents are engaged in manufacturing industries:

<u>METROPOLITAN AREA</u> (Over 250,000 population)	<u>1968 NON-AGRICULTURE EMPLOYEES</u>	
	<u>TOTAL</u>	<u>MANUFACTURING</u>
UNITED STATES (Average)	68,146,000	29 %
JERSEY CITY	263,900	43 %
NEWARK	772,500	33 %
PATERSON-CLIFTON-PASSAIC	474,700	39.8 %
TRENTON	127,700	32.4 %

2. The rate of unemployment in each of these areas exceeds the comparable national average:

<u>1968 UNEMPLOYMENT</u>		
METROPOLITAN AREA (Over 250,000 Population)	<u>TOTAL</u>	<u>% OF WORK FORCE</u>
UNITED STATES (Average)	2,817,000	3.6
JERSEY CITY	15,700	5.3
NEWARK	35,800	4.0
PATERSON - CLIFTON-PASSAIC	23,100	4.1
TRENTON	5,300	3.7

3. The average weekly earnings are far below what the Bureau of Labor Statistics has said is necessary for a family of four to live under "minimum" subsistence level conditions:

METROPOLITAN AREA (OVER 250,000 Population)	1968 <u>Average MFG. Weekly Earnings</u>
UNITED STATES (Average)	\$123
JERSEY CITY	\$126
NEWARK	\$127
PATERSON-CLIFTON-PASSAIC	\$125
TRENTON	\$124

How Workers' Buying Power Slipped in '60s

The following figures, from records of the Labor Dept.'s Bureau of Labor Statistics, show how the buying power of workers' pay checks has failed to keep pace with wage advances in recent years.

Government economists attribute the lag mainly to increased living costs, with some due to higher taxes and a shortening of the work week. The figures are averages for a worker with three dependents on private, non-farm payrolls. Real take-home pay is in terms 1957-59 dollars.

	<i>Gross Earnings</i>	<i>Real Take-home</i>
1960	\$ 80.67	\$70.77
1961	82.60	71.48
1962	85.91	73.05
1963	88.46	73.63
1964	91.33	76.38
1965	95.06	78.53
1966	98.82	78.39
1967	101.94	78.13
1968	107.73	78.61
1969	114.61	78.30

4. A large number of citizens are drawing social security benefits providing an income, again, far below the minimum subsistence level described by the Bureau of Labor Statistics.

	<u>December 1968 Social Security</u>	
	<u>RECIPIENTS</u>	<u>AVERAGE MONTHLY BENEFIT</u>
UNITED STATES	24,076,000	\$ 99.00
JERSEY CITY	79,000	108.00
NEWARK	215,000	111.00
PATERSON-CLIFTON- PASSAIC	152,000	111.00
TRENTON	35,000	109.00

5. A substantial portion of the population is receiving some form of Welfare assistance:

	<u>February 1969 Public Assistance Recipients</u>	
	<u>OLD AGE</u>	<u>FAMILIES DEPENDENT CHILDREN</u>
UNITED STATES	2,002,915	6,182,256
JERSEY CITY	1,504	22,396
NEWARK	4,779	77,431
PATERSON-CLIFTON- PASSAIC	1,732	21,499
TRENTON	583	10,071

6. In spite of the low-income status, the per capita property tax in each of these areas is far above the national average, and among the very highest in the United States.

1967 PER CAPITA PROPERTY TAX

UNITED STATES	\$127.29
JERSEY CITY	\$184.91
NEWARK	\$212.16
PATERSON-CLIFTON- PASSAIC	\$190.63
TRENTON	\$172.69

Against the backdrop of these adverse economic factors in New Jersey's four largest metropolitan areas, the proposed increase in sales taxes emerges as another example of where the victim is punished for his own plight.

The UAW believes strongly that the solution to fiscal responsibility cannot be found within the State of New Jersey alone. The key, however, can be located in the "Federalism" mentioned in Governor Cahill's Inaugural Address.

Unless massive new funds from the federal government are earmarked for, and returned to, the states now for use in bolstering the people and the economy of our larger cities, the rhetoric of reform will emerge as nothing more than a cruel hoax.

There is ample economic justification in New Jersey for seeking substantial federal relief.

While New Jersey taxpayers contribute the 7th highest amount in federal income taxes, our state ranks 50th -- dead last -- in the amount of per capita federal aid received from Washington.

FEDERAL AID PER CAPITA

Alabama	\$127.	Montana	\$243.
Alaska	423.	Nebraska	221.
Arizona	153.	Nevada	171.
Arkansas	168.	New Hampshire	76.
California	111.	New Jersey	60.
Colorado	145.	New Mexico	211.
Connecticut	78.	New York	82.
Delaware	92.	North Carolina	91.
Florida	77.	North Dakota	336.
Georgia	116.	Ohio	72.
Hawaii	153.	Oklahoma	125.
Idaho	182.	Oregon	178.
Illinois	78.	Pennsylvania	77.
Indiana	76.	Rhode Island	107.
Iowa	156.	South Carolina	95.
Kansas	179.	South Dakota	245.
Kentucky	132.	Tennessee	112.
Louisiana	129.	Texas	120.
Maine	89.	Utah	144.
Maryland	71.	Vermont	159.
Massachusetts	102.	Virginia	77.
Michigan	76.	Washington	118.
Minnesota	138.	West Virginia	120.
Mississippi	180.	Wisconsin	69.
Missouri	117.	Wyoming	279.

The individuals for whom our regressive tax structure is already an onerous burden, and upon whom a new sales tax will be a still more painful injustice, are even now sustaining a heavy load of our federal income tax.

In 1967, the last year for which such statistics are available, 683,073 New Jersey taxpayers whose gross earnings was under \$5,000 a year, sent \$169,520,000 to Washington.

NEW JERSEY

<u>NEW JERSEY</u>	<u>NO. RETURNS</u>	<u>AMOUNT 000'S</u>
\$600 under \$1,000	26,002	204,000
\$1000 under \$2,000	145,116	10,738,000
\$2,000 under \$3,000	168,988	32,614,000
\$3,000 under \$4,000	159,504	50,405,000
\$4,000 under \$5,000	183,463	75,560,000
TOTAL UNDER \$5,000	683,073	169,520,000
\$5,000 UNDER \$10,000	898,325	664,719,000

In 1967, the last year for which statistics are available, 390,333 taxpayers from New Jersey's four major metropolitan areas, with incomes under \$5,000 a year, paid over \$100,000,000 in income taxes.

FOUR MAJOR URBAN AREAS
TOTAL NUMBER INCOMES UNDER \$5,000

	<u>NO. OF RETURNS</u>	<u>TAX DOLLARS PAID AFTER CREDITS</u>
JERSEY CITY	71,224	19,385,000
NEWARK	180,410	46,613,000
PATERSON-CLIFTON-PASSAIC	109,280	25,832,000
TRENTON	29,419	8,305,000
TOTAL	390,333	100,135,000

An examination of the charts for each of the four areas, as well as the New Jersey total emphasize that low-income groups now assume a large burden of producing federal revenues.

1967 INCOME TAX AFTER CREDITS

	<u>NUMBER OF RETURNS</u>	<u>TAX DOLLARS PAID</u>
<u>JERSEY CITY</u>		
\$1,000 under \$2,000	11,265	\$ 842,000
\$2,000 under \$3,000	20,823	3,618,000
\$3,000 under \$4,000	16,487	4,560,000
\$4,000 under \$5,000	20,672	10,351,000
TOTAL UNDER \$5,000	71,224	19,385,000
\$5,000 under \$10,000	92,849	73,281,000

NEWARK

\$ 600 under \$1,000	6,850	\$ 41,000
\$1,000 under \$2,000	28,691	2,373,000
\$2,000 under \$3,000	48,232	9,062,000
\$3,000 under \$4,000	42,186	13,401,000
\$4,000 under \$5,000	54,451	21,735,000
TOTAL UNDER \$5,000	180,410	46,613,000
\$5,000 under \$10,000	238,373	170,397,000

PATERSON-CLIFTON-PASSAIC

\$1,000 under \$2,000	30,549	\$ 2,510,000
\$2,000 under \$3,000	23,051	4,379,000
\$3,000 under \$4,000	24,069	7,811,000
\$4,000 under \$5,000	25,681	11,072,000
TOTAL UNDER \$5,000	109,280	25,832,000
\$5,00 under \$10,000	152,782	119,590,000

TRENTON

\$2,000 under \$3,000	11,225	\$ 1,597,000
\$3,000 under \$4,000		
\$4,000 under \$5,000	18,193	6,708,000
TOTAL UNDER \$5,000	29,419	8,305,000
\$5,000 UNDER \$10,000	35,205	28,488,000

To impose an additional regressive sales tax hike on top of this disproportionate complex is to blend an economic fallacy with a moral injustice.

The only clear answer to the fiscal problems of our states and their larger cities is for the Congress to launch a program of substantial federal aid.

While the war in Viet Nam drags on, and as our Defense budget and military expenditures approximate half of our total national budget, it appears unlikely that Congress will be so disposed.

The UAW believes, however, that the need for federal aid is imperative and to refrain from taking the necessary steps to ensure it, leaves our states and cities alone, facing a great inner peril. Hence, it is our contention that no existing taxes should be raised, nor should any new taxes be levied until our federal defense budget is sharply curtailed and the extravagant waste of our military appropriations completely eliminated.

The billions of dollars thus saved can be returned to the states for the monumental job of resurrecting our cities and their citizens.

There are interesting statistics to offer to contemplate the possibilities under this plan.

For example, if the war in Viet Nam had been brought to an end in 1966, the funds which New Jersey residents paid in federal income taxes in 1967 for military appropriations could have been returned to Trenton.

In 1967, the federal budget was \$150 billions. The Defense budget for that year was \$75.5 billions, or more than 50%.

In 1967, New Jersey residents paid \$2.8 billions in federal income taxes, of which half, \$1.4 billions was allocated to the defense budget.

If these funds of \$1.4 billions had been returned to New Jersey, anyone of the following possibilities exist.

1. New Jersey could finance its total governmental operations for one whole year, without raising a single penny of any taxes whatsoever.
2. New Jersey could repeal the existing 3¢ sales tax and still have sufficient existing resources to operate the state government for 5 more years.
3. New Jersey could retain its existing tax structure and still expand significantly its program of benefits for its citizens in education, welfare, highways, and related programs.

The Department of the Treasury of the State of New Jersey has buttressed this argument for further local validity in its **First** Annual Report dated April 1968, when it reported that only 90,000 persons, or 3.2% of the State's civilian labor force, were employed as a direct result of defense spending.

SUMMARY

New Jersey's wage-earners can no longer afford any increase in existing taxes, nor the institution of any new tax programs. As inflation continues to take larger bites out of the wage-earners envelope every pay day, his economic situation becomes progressively worse.

In fact, New Jersey workers are worse off economically today than they were 5 years ago, before the War in Viet Nam was escalated.

The heavy drain upon federal resources for Defense and Military appropriations -- regardless of how extravagant or useless some of the programs recommended by the Pentagon have been -- is causing severe economic reversals for our citizens.

As 50% of our federal budget is allocated for defense and military programs -- with no attempt to squeeze the waste and fat out of them -- the States and our larger urban areas are abandoned and left to their own devices to raise sorely-needed funds for local problems.

The solutions offered, such as this proposal to raise New Jersey's sales tax from 3% to 5%, are frequently economically indefensible and morally unjust.

With wage-earners' resources totally committed for the necessities of life and personal family problems, any attempt to increase these tax burdens will inevitably spur the beginning of a taxpayers' revolt.

The solution to New Jersey's fiscal problems can be found in an avenue referred to by Governor Cahill in his Inaugural Address, when he discussed the need for huge federal aid for the States.

Today, New Jersey residents pay the 7th highest amount of money in federal income taxes, yet rank last of all the 50 states in per capita federal aid returned.

In addition, the massive war machine for which our state's residents pay so heavily, barely brushes New Jersey residents, as only 3.2% of the state's civilian labor force is employed as a result of direct defense spending.

If New Jersey taxpayers were to have returned to Trenton their share of the federal tax dollars which have subsidized the U. S. war machine in 1967 -- \$1.4 Billions -- our state could:

a) operate for one year without raising a single penny from any source whatsoever;

b) could repeal the 3% Sales Tax and expand social benefits substantially;
or,

c) could operate at the present tax level for 5 years without raising any additional funds.

In the light of these economic facts, and the imperatives faced by the decision-makers in these volatile times, the UAW is opposed to any increase in the Sales Tax from 3% to 5%, or to the levying of any new tax program in the State, until the wasteful and extravagant federal defense and military appropriations are eliminated, and these funds are returned to the states to meet the monumental needs of our urban population in the fields of social welfare, education, employment, housing and other related areas.



OFFICIAL BALLOT

FEDERATION OF NEW JERSEY TAXPAYERS INC.

P.O. BOX 611
RAHWAY, N. J. 07065

V O T E F O R F O U R O N L Y

PLEASE INDICATE YOUR CHOICE OF ISSUES,
NUMBERING THEM IN ORDER OF PREFERENCE
FROM ONE TO FOUR.

*30
21*
← *Gifts
Institutional
Members*

157 Total

NO STATE INCOME TAX

Promote a Constitutional amendment to prohibit the Legislature from imposing a State income tax without a referendum by the people. This legislation was proposed in 1969 as A.C.R. #35. *# 1*

*11
3*

14

RECALL OF SCHOOL BOARD MEMBERS

Promote legislation to permit removal of school board members by a recall vote through petition. Such legislation would make school board members more responsive to the voting public.

*52
13*

65

REDUCE WELFARE

Promote legislation to reduce welfare rolls by providing vocational training, by residence requirements and by thorough investigation of all Aid to Dependent Children cases to eliminate abuse of this type of relief. A.D.C. includes payments of taxpayer money to mothers of illegitimate children regardless of number and regardless of present moral conduct. We advocate this as a first step in the complete study and reform of the welfare system. *# 4*

*100
11*

111

ELIMINATE EXCESSIVE EXPENDITURE OF PUBLIC MONEY FOR SO-CALLED "EDUCATIONAL PURPOSES"

Promote legislation to safeguard and maintain the electorate's right of final, decisive and mandatory power over school budgets. "Education" has become the "sacred cow" of governments. School budgets now consume more than 50% of the property tax dollar. Money is being wasted teaching frivolous, non-essential subjects, on bussing, on salaries and on unnecessarily elaborate school facilities. Such legislation will result in reduced budgets in keeping with the peoples' wishes. *# 2*

BALLOT CONTINUED

17
5

22

ELIMINATE PRESUMPTIVE WELFARE

Under the present law, when a person applies for welfare, they are presumed eligible until proven otherwise. Immediate benefits MUST be given without any verification of need. Many frauds are being perpetrated under this law. This misuse of public funds must be stopped.

7
2

9

OPPOSE DEFERRED COLLECTION OF PROPERTY TAXES

Legislation is in preparation, (patterned after legislation enacted in Oregon) which will defer Senior Citizens' real estate taxes. However, upon their death all such deferred taxes would become a State priority claim on the deceased's estate. We do not consider this good legislation and believe a Senior Citizen's taxes should be forgiven, at least in part, not merely deferred.

12
5

17 *

CHURCH AND FOUNDATION TAX REFORM

- (A) Promote legislation to levy taxes on presently tax-exempt foundations.
- (B) Promote legislation to levy taxes on those church owned enterprises which are in direct competition with private business.

65
7

72

PROPERTY TAX REDUCTION

High property taxes result from excessive spending. At least 95% of all property taxes are levied by local governments. The Federation offers to bring to the attention of member groups the ways in which local governments are wasting taxpayers' money. It also offers to supply advice and aid in eliminating such waste. In addition, bills proposed in Trenton engendering increased property taxes would be exposed and opposed.

#3

* If voting on this issue cross out either (A) or (B) or neither depending on the position taken by your group.

RETURN TO:

NOTE:

VOTING RIGHTS

Federation of New Jersey Taxpayers Inc.
P. O. Box 611
Rahway, New Jersey 07065

Large Groups 16
 Medium Sized Groups . . . 12
 Small Groups 8
 Individual Members 1

Not later than December 31, 1969

**NORTH JERSEY PRINTING PRESSMEN,
ASSISTANTS & OFFSET WORKERS UNION
Local 31**



804 CLINTON AVENUE • NEWARK, N. J. 07108

January 27, 1970

Mr. E. J. DeKorte
Chairman Committee on Tax
New Jersey State Legislature
Main State House
Trenton, N. J.

Dear Mr. DeKorte:

The proposed measure to eliminate sales tax exemptions for advertising materials and for purchases of machinery and equipment used in printing will seriously hinder and turn away many buyers of printing in New Jersey. It has taken many years of hard work to build the Printing Industry in New Jersey by a lot of us. If this bill is passed in one stroke, you could set this work back many, many years. If passed, this measure would destroy millions in printing sales - destroy thousands of jobs - put an end to the recent influx of printing companies from New York and elsewhere.

The revenue the State will derive in income from the proposed sales tax will be small compared to the loss to the cities and town where our Plants are located. I can't believe that you could pass this bill in true conscience and justice to the people of the State.

While other States recognize this problem and make exceptions, I can't believe you would not consider this. I ask, as Secretary of Local 31 (Printing Pressmen) that you support us in our real concern; that you understand and consider the years it took to re-build our industry. Please don't censure us for doing a good job for New Jersey. Delete this measure out of the proposed tax bill.

Sincerely,

William J. Faulkner
Secretary

WJF:fnc

NEW JERSEY SENATE

FRANK J. GUARINI, JR.
SENATOR, HUDSON COUNTY
610 NEWARK AVENUE
JERSEY CITY, NEW JERSEY

STATEMENT OF SENATOR FRANK J. GUARINI
TO SENATE AND ASSEMBLY JOINT TAX COMMITTEES
JANUARY 28, 1970

I am unalterably opposed to the proposal to raise the present state sales tax from three per cent to five percent.

A sales tax is inequitable and regressive -- a tax bearing no relationship to ability to pay, but only on the need to buy. The proposed increase will make it even more inequitable, and will strike sharply at those least able to pay: the elderly, the poor, all those on fixed incomes.

Instead of considering an increase in the sales tax, we should be looking forward to the occasion when it can be repealed.

Much has been made of the need to pass this proposal now to alleviate a budget deficit. But we are all aware that the deficit will not exist until next year's budget, beginning in July, and we have ample time before then to pass good tax legislation -- not just make a bad tax worse.



NEW JERSEY SENATE

FRANK J. GUARINI, JR.
SENATOR, HUDSON COUNTY
610 NEWARK AVENUE
JERSEY CITY, NEW JERSEY

Passage of this proposal now may lock us in to a sales tax irrevocably, destroying the chance of future repeal. The accumulation of bad taxes becomes, in time, irreversible as we pass the point of no return in our dependency on the revenues they produce.

Passage of this proposal now will also remove the pressure for tax reform -- and throughout the state, local homeowners now carrying the burden of the nation's highest real estate taxes, are looking to all of us for reform. Haphazardly piling bad tax upon bad tax is no way to provide that reform.

Accordingly, I recommend that this proposal be rejected, and that the Legislature, with the Governor, declare a moratorium on new taxation. This will permit the Governor time to reorganize state government, and to carefully weigh budget priorities for next year.

At the same time, the Legislature, working in concert with the Governor, should immediately take steps to bring about a major revision of state tax law and policy. A constitutional convention would be the best vehicle for such reform, but since time is a critical factor, an acceptable alternative might be the empaneling of a broad-based commission, representing all facets



NEW JERSEY SENATE

FRANK J. GUARINI, JR.
SENATOR, HUDSON COUNTY
610 NEWARK AVENUE
JERSEY CITY, NEW JERSEY

of our state, to make recommendations on revision of our tax structure... and to make them before the end of the summer so that the Legislature could still act upon them.

Much of the groundwork for such revision has already been accomplished. Various study groups and commissions have analyzed our tax problems for years. What is needed now is a group specifically directed to make specific recommendations for consideration by the Legislature.

In our state, few problems are as serious as the entire question of state tax policy. In fact, there are many who feel that at the heart of our urban crisis in our cities lies the basic inability of cities to sustain themselves on the real estate tax alone.

When the present sales tax was enacted, it was packaged as a palliative for this problem. But instead of lowering property taxes, those taxes continued to increase.

This is traditionally the result when legislative bodies act too rapidly to pass ill-conceived, ill-thought-out, and ill-enforced tax measures.



NEW JERSEY SENATE

FRANK J. GUARINI, JR.
SENATOR, HUDSON COUNTY
610 NEWARK AVENUE
JERSEY CITY, NEW JERSEY

We are now being asked to do the same thing again.

I respectfully submit that we should have learned by now from
our past mistakes, and that we should reject this proposal.

Associated Builders and Contractors, Inc.
South Jersey Chapter
Cherry Hill, N.J.

Jan. 28, 1970

Gentlemen:

In the interest of time I shall not
reiterate the many points made during
the hearing this afternoon. The one point of
my remarks I have not heard made, I
shall present with this letter. Please
consider the contractor who was under contract
prior to the enactment of a sales tax increase
and provide some means for the continuance
of these jobs at the rate prevailing when
the contract was signed.

Yours sincerely,

Frank J. Glackhert

Chairman Legislative
Action Committee



SOUTH JERSEY CHAMBER OF COMMERCE
NORTH PARK DRIVE, PENNSAUKEN, NEW JERSEY 08109
(808) 864-3400

STATEMENT OF LEROY S. THOMAS
REPRESENTING THE
SOUTH JERSEY CHAMBER OF COMMERCE
BEFORE THE NEW JERSEY
GENERAL ASSEMBLY TAX COMMITTEE
JANUARY 28, 1970

The South Jersey Chamber of Commerce, representing 550 businesses employing over 100,000 individuals, located in Burlington, Camden, and Gloucester Counties, respectfully submits the following statement concerning the proposed deletion of the present exemption from the sales tax for machinery and equipment used in manufacturing as contained in Assembly Bill 416.

Without commenting upon the financial needs of the State, the South Jersey Chamber of Commerce has very serious reservations as to the desirability of including business machinery and equipment in the State Sales Tax.

Imposition of this tax will make it even more difficult for New Jersey to attract new industry to our State or encourage existing industry to expand. Presently, our neighboring States of Pennsylvania and New York, both of which have sales tax, have very deliberately exempted machinery and equipment from their sales tax. The State of Delaware does not have a sales tax. It is obvious, therefore, what impact the imposition of a sales tax on machinery and equipment would have on the competitive position of our State in respect to attracting new industry. In fact, the publicity attached to the New Jersey Legislatures consideration of

this new tax may very well be seriously prejudicing our States' competitive position.

It has become alarmingly evident to those involved with the economic development of our State that for a number of years there has been a critical trend to utilizing our remaining land resources for the location of warehouse facilities rather than for manufacturing facilities. This utilization of our space for warehousing results in far fewer job opportunities, greatly reduced tax ratables, and contributes far less to the economic well being of our communities. Statistics will bear out the fact that our inability to attract and retain manufacturing industries has resulted in our State being well below the national average in increased employment in manufacturing industries and the production of durable goods. It is sincerely believed the proposed tax will further the decline of our State in these respects and thus become, truly, a self-defeating tax and source of revenue.

It is believed time will permit this Legislature to consider alternative sources of tax revenue which will not stifle the industrial development of our State.

We also feel it necessary to call to the attention of this committee the fact that several of our members have informed us of the disastrous economic impact on their competitive position if the sales tax exemption on advertising materials is removed.

We thank the members of this committee for their courtesy and attention.

LeRoy S. Thomas
President



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