SUMMARY

of

ASSEMBLY TAXATION COMMITTEE
Public Hearing on

Governor's Tax Reform Bills

June 2, 1972
Howard Johnson Motor Lodge
Atlantic City, New Jersey

(This summary was prepared by the Division of Legislative Information & Research; it has not been reviewed by the Assembly Taxation Committee.)

ASSEMBLY TAXATION COMMITTEE

MEMBERS PRESENT

ASSEMBLYMAN EUGENE J. BEDELL, Chairman
District 5B (Monmouth)

ASSEMBLYMAN STEVEN P. PERSKIE
District 2 (Atlantic)

ASSEMBLYMAN FRANCIS J. GORMAN
District 3B (Parts of Gloucester and Camden)

Also present:

SENATOR JOSEPH P. MERLINO
District 6B (Part of Mercer)
Senate Revenue, Finance and Appropriations Committee

LIST OF WITNESSES

MORNING

1. Joseph Bradway
   Mayor of Atlantic City

2. Assemblyman Steven Perskie

3. Joseph Bradley
   Mayor of Linwood City, Atlantic County

4. Gary P. Malamut, President,
   Atlantic City Hotel & Motel Association

5. Mrs. Susan Milstein, President,
   League of Women Voters of Atlantic City

6. Paul Godwin, Executive Director,
   Human Relations Commission of Atlantic City

7. Senator Joseph L. McGahn,
   District 2 - Atlantic County

8. Seymour Kravitz
   Host of Local Radio Show on WOND

9. Alan Owen, Executive Secretary,
   Greater Atlantic City Chamber of Commerce

10. John A. Rogge,
    Mayor of Brigantine City, Atlantic County

11. Mrs. Mildred Haywood
    Chairlady of Atlantic County Senior Citizens

AFTERNOON

12. Anthony Cistagna, President,
    Pleasantville Taxpayers Association

13. Mrs. Katherine Cramer
    TEARS (Taxpayers Emergency Association for Relief)

14. Thomas W. Wilson, Former President,
    Pleasantville Taxpayers Association

15. Arthur Gager, President,
    Fralinger's Salt Water Taffy

16. Herbert Gaskill, Secretary,
Board of Assessors, Margate City, Atlantic County

17. Max Landsman
Ventnor City, Atlantic County

18. Herod E. McCloud
Public Affairs Newsletter

19. Robert Cericola, Secretary-Treasurer and Business Agent
Teamster's Local 331

Assemblyman Bedell opened the hearing and turned the chair over to Assemblyman Perskie who represents Atlantic County. Assemblyman Perskie identified the committee members and staff present, and indicated the committee's function and method of conducting the hearing. He then called the first witness.

1. JOSEPH BRADWAY, MAYOR OF ATLANTIC CITY

Mayor Bradway felt that Atlantic City had not been accorded fair treatment under the tax reform proposals. The primary reasons for his feeling were the loss of the luxury tax which would cause a $3.3 million loss to Atlantic City, and a property tax reduction of only 4%, from $5.40 to $5.20, for the City under the proposals, one of the lowest throughout the State. Mayor Bradway also stated that consideration should be given to using funds raised under the new program for local school capital expenditures. He was concerned about the institution of a state income tax because any additional taxes at this time would be very harmful to the residents of Atlantic City. With the loss of the luxury tax and the minimal property tax reduction, Mayor Bradway indicated that local property taxes would probably have to be increased, and that this, coupled with a state income tax, would unduly burden the residents of Atlantic City. For these reasons, Mayor Bradway objected to the tax reform proposals, but he qualified his objection because he was not as conversant with the proposals as he would like because of their complexity and he felt that there was confusion generally about the proposals.

Assemblyman Perskie asked what the educational facility posture of Atlantic City was at the present.

Mayor Bradway answered that there were plans for a new addition to Madison Avenue School, to cost $5 million, and a new high school-community center, to cost between $15 and $16 million.

Assemblyman Perskie asked when the last school construction was undertaken in Atlantic City.

Mayor Bradway responded that the Atlantic City High School was constructed in approximately 1924. There had been no significant elementary school construction within the last 25 years.

Assemblyman Bedell asked if the Mayor was opposed to the proposed income tax because of the elimination of the luxury tax or in general.

Mayor Bradway stated that he was opposed to a state income tax in principle, but his opposition was greater because the resultant effect on the citizens of Atlantic City would probably be an increase in real estate taxes because of the loss of the luxury tax, in addition to the income tax, and would be a hardship on the people of Atlantic City.

Assemblyman Bedell asked when the property in Atlantic City was last revalued.

Mayor Bradway did not know.

Assemblyman Bedell asked if the amount of exempt property in the City was of a sizable proportion.

Mayor Bradway answered that it was not.

Assemblyman Bedell asked the Mayor if he felt that the block grants to urban areas provided for under the tax reform program would be a major factor in stopping the exodus from the cities and in solving the problems of urban areas or that these problems were much graver than just taxation.

Mayor Bradway felt that this was one of the favorable points of the program, but because of the loss of the luxury tax and the small property tax reduction for Atlantic City he was opposed to the program.

Assemblyman Bedell asked what proportion of the local revenues were available for public education.

Mayor Bradway said that he did not know at the time.

Assemblyman Bedell asked if the welfare costs of the City were sizable.

Mayor Bradway answered that welfare costs in Atlantic City and Atlantic County were disproportionately high. He stated that this area was another plus for the tax reform program.

Assemblyman Bedell asked the Mayor to comment on casino gambling.

Mayor Bradway stated that he was in favor of casino gambling and that if it were considered for New Jersey the need for an income tax might be lessened. He said that casino gambling would give Atlantic City more than a three month economy and that he would like to see New Jersey adopt it before other states like New York.

Assemblyman Bedell asked if the mayor thought that the proposals for tax reform should give greater consideration to the special economic circumstances of resort communities.

Mayor Bradway replied that resort communities have not been accorded the treatment they sould receive on the State level because it is often forgotten that they are dependent on a three-month economy. Because of this reliance on a three-month economy, the elimination of the luxury tax would be particularly harmful to Atlantic City, representing a revenue loss of 12 to 13% in the City's budget. This loss would probably have to be made up by raising local property taxes. Mayor Bradway indicated that Atlantic City maintains a convention hall without any state aid, whereas such aid has been provided by other states for their metropolitan convention centers. He stated that the luxury tax is not a windfall to Atlantic City when the convention hall, the services provided by the City and the number of people attracted to the State by Atlantic City are taken into account.

2. ASSEMBLYMAN STEVEN P. PERSKIE, DISTRICT 2-ATLANTIC County

Assemblyman Perskie indicated that the committee had already had considerable discussion of the luxury tax question and its place in tax reform. He did not intend to discuss all of the proposed legislation, but as a representative of Atlantic City and Atlantic County he thought it was appropriate to place into the record the substance of the discussions already held on the luxury tax question. As a supplement to and a basis for a portion of his testimony, Assemblyman Perskie submitted for the record a chart containing certain data for Atlantic City and 12 other cities in the State of similar population (see the following page). Based on the chart, Assemblyman Perskie pointed out that:

COMPARISON OF 1972 BUDGETS

	POPULATION (thousand)	TOTAL GENERAL APPROPRIATION (million)	POLICE DEPT. (million)	FIRE DEPT. (million)	REVENUE FROM PROP. TAX (million)	% OF BUDGET PAI BY TAXPAYERS (Prop.tax)
ATLANTIC CITY	45	22.9	3.3	2.5	9.8	43%
BLOOMFIELD	52	9.2	1.6	1.4	5.1	55%
HOBOKEN	45	12.9	1.7	2.1	6.4	50%
IRVINGTON	60	12.2	1.9	2.1	7.7	63%
MIDDLETOWN	56	6.5	1.1	0.2	1.6	25%
MONTCLAIR	44	9.2	1.5	1.1	5.2	57%
NEW BRUNSWICK	42	8.4	1.8	1.1	3.7	44%
PASSAIC	55	9.5	1.6	1.4	4.1	43%
PLAINFIELD	52	10.4	1.8	1.6	5.8	56%
VINELAND	49	7.2	1.1	0.3	1.6	22%
WAYNE	57	8.0	1.6	0.2	4.7	59%
WEST ORANGE	45	7.9	1.5	1.2	4.4	56%
WILLINGBORO	47	3.6	0.7	0.0	1.6	44%
						AVERAGE 47%

1. Atlantic City's municipal budget is approximately twice that of the highest other community of comparable population;

2. Atlantic City's police and fire appropriations are far in excess, on a per capita basis, of that for any other community of a comparable size;

3. the property tax burden in Atlantic City is well within the average for these communities (43% for Atlantic City and 47% on the average);

4. Atlantic City's municipal tax revenue is far in excess of other communities of similar size.

Assemblyman Perskie indicated that the reason for the large appropriations is that Atlantic City has numerous expenditures which other communities do not have, which include the convention hall, the convention hall annex, the luxury tax bureau, the lifeguard patrol, the boardwalk department, the beach department, the garden pier and the other piers, and other related expenditures. He stated that the chart reveals that Atlantic City is not a typical city in its population range. It has a much bigger operation and requires more policemen, more firemen and many more other things than other communities of comparable size. Assemblyman Perskie noted that since Atlantic City received a much greater amount in property tax revenue than the other listed communities, it was not merely using the luxury tax to save its property owners some money.

Assemblyman Perskie referred to the state supreme court case of <u>Karins v. Board of Commissioners of Atlantic City</u> in 1948 which upheld the constitutionality of the luxury tax. The statute in question was applicable to all fourth class cities and the court held that this was a proper classification and not a discrimination in favor of Atlantic City. Assemblyman Perskie stated that the basis for the decision was six fold:

1. fourth class cities have different problems from other cities;

2. these different problems require special financial consideration;

3. a luxury tax helps to alleviate some of these financial problems;

4. without the luxury tax or a viable substitute, fourth class cities like Atlantic City would be forced to sharply curtail their tourist or convention industry;

5. if such a curtailment occurred, the State as a whole would suffer economically;

6. the amount of such a loss in revenues to the State would be far greater than the increased revenues that would accrue to the State if the luxury tax exemption were removed.

Assemblyman Perskie pointed out that the state supreme court has thus said that the legislature can constitutionally distinguish between fourth class cities and other cities. He stated that the court recognized that the municipal expenditures of fourth class cities were very different from other cities due to the seasonal nature of their economies.

Assemblyman Perskie indicated that the Tax Policy Committee recommendation for the elimination of the luxury tax exemption was based on two grounds:

1. the exemption is discriminatory because it gives preference to a single municipality;

2. it is more desirable to collect sales taxes on the state level than the local level.

For the reasons he had previously stated, Assemblyman Perskie claimed that a difference is not necessarily a discrimination, and that there is a substantial basis in fact and in theory for treating seaside resorts differently. With respect to the second ground, he claimed that the reasoning of the committee was self-serving and that since Atlantic City was not complaining why should the State complain. Moreover, the benefit to Atlantic City by preserving over 10% of its local budget would far outweigh the $3.3 million dollar loss of revenue to the State.

Assemblyman Perskie indicated that the economic viability of the entire county was dependent on Atlantic City and its tourist and convention industry, and that insofar as the tax reform proposals would place an unfair burden on Atlantic City by removing the luxury tax exemption, all of the municipalities of Atlantic County could not support the proposals.

Assemblyman Bedell asked Assemblyman Perskie to comment on the difference between resort cities and other cities.

Assemblyman Perskie mentioned the 12-week economy of Atlantic City, the need for full municipal services and special services related to resort areas during this period, and a property tax burden similar to other communities despite the luxury tax.

Assemblyman Bedell commented that this argument would apply to other seaside resort communities.

Assemblyman Perskie replied that it would. He indicated that when the luxury tax legislation was first enacted it applied to all fourth class cities and that Atlantic City was the only fourth class city to exercise its local option to impose the tax. When the sales tax was enacted in 1966, it contained an exemption for local sales taxes then in existence and thus only applied to Atlantic City. Assemblyman Perskie stated that if another community in similar economic circumstances to Atlantic City wanted to impose a luxury tax as authorized under the law, he would be in favor of a sales tax exemption for such community.

3. JOSEPH BRADLEY, MAYOR OF LINWOOD CITY, ATLANTIC COUNTY

New Jerseyans pay the highest property taxes in the nation according to the committee findings. It is a most unfair way to levy taxes to pay for services which are expected to be provided. Consider, for example, the man who purchases his home while he is at the height of his earning potential...After several years he is forced to retire and his income becomes fixed. Even without the inflation of the past few years, we have all seen the value of homes and taxes increase proportionately and the homeowners ability to pay greatly reduced by a fixed income or one not keeping pace with the times. And we all know that property tax levies are based on assessed value, not that person's ability to pay. As a result, some are forced to sell their homes or lose them. We cannot reduce their taxes in line with their ability to pay...that would be discriminatory.

Property taxes presently pay for:

1. All local services including trash collection, police and fire protection, local street repair, recreational facilities, administration of local government;

2. Elementary schools and high schools including teacher's salaries, maintenance of buildings and grounds, administrative salaries and all improvements. (There are some State aids, but New Jersey ranks as one of the lowest in state aid to education);

3. Operation of the county government including the county share of welfare, courts, prisons, institutions, roads, etc.;

4. All capitol outlays within the taxing district, eg. new schools, sewer projects, any new bonds necessary to keep pace with services demanded.

All these are now being paid for by property taxes---We must replace this grossly unfair property tax burden with one that takes into account one's ability to pay. Too long have we discussed and debated other forms of a more equal approach...too long have we not had the intestinal fortitude to face the problem squarely. We owe it to those we represent to tell them honestly that if they expect services they must be prepared to pay for those services; but, we also owe them the most equitable means of paying for these services.

The Tax Study Commission was comprised of some of the best legislative brains in New Jersey today. It was made up of people from both sides of the political aisle. Commission had little to gain or lose politically by making their feelings known. This commission took the necessary time to study the overall tax situation in New Jersey, and it made its findings and recommendations. Naturally, everyone will not agree with all the recommendations, but if we are to have tax reform, we must start that reform. Any plan that would be proposed could not possibly gain unamimous support.

There are, quite naturally, some assurances that I'd like to have:

A. First would be to insist upon public support from the executive and legislative branch for the necessary legislation or statewide constitutional referendum to ear-mark future funds for a particular purpose instead of putting all monies into a general fund;

B. Assurances that the ceiling on property taxes would be built-in to the program in a clearly-defined way so that property taxes would not creep back up again in the future;

C. Assurances of retention of local control over schools and teachers' salaries.

With the above assurances which are basic to any area in the state and are not at all provincial or local, I would feel compelled as a representative of the people to strongly urge you gentlemen as Senators and Assemblymen to vote for the measures that the governor has so courageously asked for and pass on this sorely-needed tax reform.

Assemblyman Perskie asked if the constitutional and statutory limits on state, local and county property tax rates contained in the proposals were the kind of assurances he was looking for against future property tax increases.

Mayor Bradley answered that it was if it was clearly defined that it could not go higher than the limits set.

Assemblyman Perskie asked what Linwood's municipal purpose tax rate was.

Mayor Bradley responded that it was approximately $0.88.

Assuming that Linwood was close to the limit on its municipal purpose rate, Assemblyman Perskie asked what the Mayor's reaction would then be to such a limit.

Mayor Bradley stated that he would start looking for ways to save money locally.

Assemblyman Bedell asked that since the costs of government are undoubtedly going to increase, would not the take from the income tax also have to be increased.

Mayor Bradley replied that no matter what is enacted, past experience has shown that the cost of government increases and new ways to finance it must be found. The property tax, however, is very regressive, while the income tax affects those who are most able to pay. He stated that every effort should be made to keep the proposed limits on the property tax. He felt that the limits were fair and that everyone should be able to live within them. If anyone could not live within them, he felt they should do a little house cleaning locally.

Assemblyman Gorman asked if property taxes could not be frozen as the Mayor had stressed, would he still be in favor of the tax reform proposals.

Mayor Bradley answered by noting that the property tax is very regressive, hurting the people least able to afford it. While the income tax cannot give us all the assurances we want, it at least attempts to give us assurances for the reasonably forseeable future. He stated that the proposed reforms provide a much more equitable system.

Assemblyman Perskie indicated the rate structure in the proposed income tax bill and asked the Mayor if he had any comment with respect to it.

Mayor Bradley said that he had not seen the income tax bill so he could not comment on the rate schedule, but he assumed that the legislature would base the rate schedule on ability to pay.

Assemblyman Perskie was concerned with the income range from \$7,000 to \$12,000 and the proposed rates from 3% to 5 or 6% for this range and he asked if the Mayor thought that that kind of rate structure was a fair representation of ability to pay.

Mayor Bradley responded that he thought it was.

Assemblyman Bedell noted that there was some concern over whether or not the proposed reform would bring about stabilization in property taxes, and whether or not it actually does provide for a system based on ability to pay. He mentioned that the state property tax for school purposes would not include capital expenditures and bonded indebtedness which would still have to be raised on the local level. Assemblyman Bedell further indicated that an amount equivalent to another \$1.00 per \$100 in local tax rates on the average would have to be raised by local taxes to make up the difference between the proposed amount of state aid available under the reform program and the cost of public education. He stated that communities on their own would be entitled to raise more revenue to support local education over and above the basic state grant under the reform program, but he assumed that those communities which would raise more money for education would be those currently spending more for education and having the financial means to do so, and not the urban centers which are hard pressed for funds. In view of this, Assemblyman Bedell asked if the proposed program was really reform or a way of equating our tax structure, or should we go further.

Mayor Bradley responded that until someone comes up with a better program, he felt that the one proposed was the most equitable.

4. <u>GARY P. MALAMUT, PRESIDENT, ATLANTIC CITY HOTEL-MOTEL ASSOCIATION</u>

ATLANTIC CITY HOTEL-MOTEL ASSOCIATION

EXECUTIVE OFFICES

STATEMENT BEFORE THE ASSEMBLY TAXATION COMMITTEE ON THE TAX POLICY COMMITTEE REPORT DATED JUNE 2, 1972 AT HOWARD JOHNSON MOTOR LODGE, ATLANTIC CITY, NEW JERSEY, BY GARY P. MALAMUT, PRESIDENT, ATLANTIC CITY HOTEL-MOTEL ASSOCIATION.

It is difficult to understand how anyone sitting in this room today, including the esteemed panel, can expect the average citizen to intelligently analyze the Sears Committee Report on taxation and the Governor's Tax Reform Proposals. How can anyone analyze fifty-six legislative bills and three Constitutional Amendments when most of these have not even yet been printed by the State Printing Office in Trenton. Small communities already are having a tough time keeping alive in many areas of the nation. Despite the problems of the cities and the suburbs, the urban areas still remain a magnet attracting the youth of the nation. What we are realizing is that while we talk about environment and ecology, we find the same problems in many smaller communities. They just are not publicized. It is hard to get a good education in many small towns and that supplies of good labor are not available. Thus, many towns have fought back with an effort to gain industry - both for new jobs and for new tax ratables. If the property tax is reduced in importance, however, many people question whether the town fathers in very many towns will be as anxious to help attract new industry as they have been up now. Without the benefit of new ratables sharing the heavy property tax burden, all the established firms will get for their trouble is more competition for the available labor.

The reduced reliance on the property tax as a means of financing education and other governmental spending has placed the financial backing of some municipal bonds in question.

How will the state guarantee a ceiling on local property tax levies?

Another feature of the tax reform package would be to tax construction, which will only discourage building of new ratables.

Of the Governor's specific proposals to the legislature the most important, by far, is a mechanism devised to meet the charges of a large tax break for business by recapturing, by means of the imposition of an excess gains tax, property tax savings that might substantially exceed the business property owners increase in tax burden under the revision program.

However, owners of business property in communities where the effective property tax rate exceeds the statewide average by 25% would be able, under this plan, to retain most of their property tax savings as partial compensation for years of what the Governor termed "unfair" tax burden. There are only 91 such communities that would meet this criteria were it in effect today.

The "excess gains" tax would, under the Governor's plan last three years in order to permit determination of the effects of the overall tax plan on business, after which inequities presumably could be adjusted.

In New Jersey, all essential public services are currently being paid for without an income tax. Such a levy isn't needed now or for the forseeable future to balance the state budget.

Effective date of enactment is January 1, 1974, which is eighteen months away, and the same month that Governor Cahill will be out of office after the November, 1973 election. He won't jam this down the throats of the citizens like he did the Hackensack Meadowlands Development Pork Barrel. Despite all his lofty promises, his program would not result in any substantial tax reform,but only tax adjustment.

The Sears Report made no effort to consider New Jersey's present or future needs for public funds except by projecting a revenue gap based on the recent increase in the size and expenditures of state government. Ten years ago the state budget was two hundred and fifty million dollars, and now it is two billion dollars. An increase of eight hundred percent. We need less spending and more saving. The Sears Committee attempted to define the outer limits of what taxpayers could be expected to tolerate and survive. This is just a gigantic power grab for a total state takeover of financing schools, courts, welfare and tax collection services by imposing some 1.5 billion new and increased state taxes.

The legislature should now begin to consider a Constitutional Amendment that would dedicate the revenues from an income tax if it is ever needed. These revenues must go into a perpetual trust fund to pay for the costs of educating New Jersey children in the primary and secondary schools.

LOCAL PROPERTY TAX RELIEF

Without such a Constitutional Amendment, claims that taxpayers will realize local property tax relief are false. It is a deliberate fraud upon the public for anyone to continue to claim that enactment of the Governor's tax package will bring about lasting tax relief.

We were promised that our property taxes would go down if we would only give the state power to collect sales tax several years ago. Sales tax revenues were not dedicated so they have been spent on all manner of programs. And the current Governor's first move in office was to almost double the sales tax rate from three percent to five percent. Still, no relief on property taxes has materialized as promised time and time again.

THE STATEWIDE PROPERTY TAX

This proposal is absurd. If the goal is to give the property taxpayer relief, hitting him with a new tax on real estate that he never had before isn't the way to do it, the Sears Committee dreamed up the statewide property tax in a half-baked attempt to meet a recent New Jersey Superior Court decision (Robinson et al vs. Cahill et al) to the effect that use of local property taxes to finance public schools violates the equal protection clause of the United States Constitution. Even if that decision survives appeal, the statewide property tax proposal would not meet the need since it would not absorb all of the costs of running the public schools. It is a known fact that when real estate taxes go down, property values therefore, go up. When values go up, reassessments are made and property taxes go up again. Thus, leading into a vicious cycle.

I expected the recommendation of the Sears Committee to include the elimination of luxury tax, since there was not a member from Atlantic City, or Atlantic County, on that committee. Some of the things these people did not know are:

1. Atlantic City spends as much as the entire State of New Jersey on tourism.
2. The Atlantic City Convention Hall does not receive a nickel from the state in any form of assistance.

This deficit is made up by the Atlantic City taxpayers.

3. The Atlantic City Convention Bureau is a private corporation that does not receive any State or Municipal aid, which is unique in the fact that many other convention communities throughout the world receive such subsidies.

These three items are in the realm of approximately three million dollars. The people on the Sears Committee were unaware of these facts, and I am certain that the state would never give back these needed funds to Atlantic City. After all, how much is three million dollars from a budget of two billion? According to the statistics published about the reduction in property taxes, Atlantic City would only receive a reduction of .20 from $5.40 to a proposed $5.20. The general tax rate at the current time is $10.37 per hundred versus a proposed $9.97 per hundred.

In addition to adjustments, Atlantic City would have to raise three million three hundred seventy four thousand eight eight six in property taxes to replace revenue no longer available from fourth class city sales tax. The 1971 adjusted total tax levy for Atlantic City was sixteen million six 0 five six nine three. Adding the luxury tax revenues to this figure would bring Atlantic City's tax load to almost twenty million dollars.

This would have to be absorbed by property tax revenues. Therefore, it is easy to understand the reluctance of any person in Atlantic City being in favor of some of the proposals of the current tax reform plan.

It shows how little consideration this committee gave to Atlantic City. In essence, it showed its contempt for the one community that reflects and represents New Jersey as a tourism and fun state. By the way, tourism is a two billion dollar industry in New Jersey, but don't ask the bureaucacy in Trenton for any real data. They are so busy that these economic indicators are unknown. If you ask for breakdowns of sales tax revenue by county, city or industry, you'll come up blank. But, after all, it's only five hundred million dollars so why worry.

The Sears Report also mentioned legalized gambling. Certainly not as a panacea for the problems of the state, but as some relief and a catalyst for many other businesses such as tourism, air lines, etc. And it will hurt organized crime. How can the Govenor say that it would attract organized crime, if it is a function of state government. The lottery is a state operation and has no tie in with organized crime. Remember the original lottery estimates? Five to ten million dollars. In their wildest dreams, no one every expected fifty million dollars as the states portion. The same results would happen with legalized casinos, jai alai and dog racing. It would make tourism a three hundred and sixty five day business, and not just a summer industry. It would employ tens of thousands of people and get them off welfare and unemployment.

Once again, New York State is ahead of New Jersey. They have passed a legalized gambling bill in their Senate and Assembly and if it passes again in their 1973 legislature the voters of New York State will have a constitutional referendum on their ballot in November of 1973. And, the results will be four to one in favor of such legislation.

Let's not be mislead by the Governor's tax reform package. Most of it has still not even been printed and I hate to think that he's trying to sell us a pig in a poke, and that's what it appears to be at the current time. It is my opinion that it is too early for any real analysis of the entire package, and consideration of it as of June 15 by the state legislature would be sheer folly.

Assemblyman Perskie asked Mr. Malamut to elaborate on his statement that no new taxes are needed in view of the Botter decision which could require the State to raise over $1 billion for public education.

Mr. Malamut reserved comment because he did not have time to fully evaluate the program. If an income tax is enacted, he stated that there should be guaranteed relief from property taxes.

Assemblyman Bedell commented that the tax reform proposals were not the committee's proposals and that the committee was not defending or attacking the proposals. The hearings were being held to hear from the public. He realized that the time schedule and lack of information made it difficult for the public to understand and to react to the proposals, but the committee was laboring under similar hardships.

Assemblyman Gorman requested Mr. Malamut to go back over his testimony relative to the excess gains tax proposals for business.

Mr. Malamut did not believe that many people understood the excess gains tax proposals and he reserved comment until such time as he would be able to analyze the proposals.

5. MRS. SUSAN MILSTEIN, PRESIDENT, LEAGUE OF WOMEN VOTERS OF ATLANTIC COUNTY

My name is Susan Milstein. I am President of the League of Women Voters of Atlantic County. I am very pleased to have this opportunity to testify at today's hearings on tax policy proposals for New Jersey.

The League of Women Voters of Atlantic County, along with other local Leagues across the state of New Jersey, has recognized the need for tax reform in New Jersey for more than two decades. League position on issues is formulated after full study by members. In the past two decades, we have constantly reviewed the revenue needs of this state and have persistently evaluated proposals for change. The need for tax reform has not diminished over the years. Rather, it has been aggravated by the growing conflict between increased state and local service requirements and inflexible, inelastic, unfair sources of income.

League position on adequate tax reform centers on seven requirements:

1. Reduce dependence on property tax;
2. Reduce disparities in services among communities;
3. Reduce disparities in tax rates among communities;
4. Raise the overall level of state services;
5. Encourage state development that meets the needs of New Jersey's citizens;
6. Support a graduated personal net income tax;
7. Support other changes in tax structure to make it more progressive and equitable.

LEAGUE OF WOMEN VOTERS OF ATLANTIC COUNTY

An effective tax structure built on these requirements would satisfy two very important criteria for fiscal responsibility and fairness. First, through a personal income tax, the burden of financing state expenditures would fall on those most able to pay. Second, such a structure would provide a source of income that grows with the economy.

Let us take a look at the current situation. New Jersey's practice of relying on the local property tax to finance a large number of services, with the state contributing relatively little, has put an outrageous burden on low- and middle-income families. New Jersey has for years had the lowest per capita state tax collections in the country and about the highest local (property tax) collections. The normal growth of the state's revenue needs--due mostly to population growth and inflation--has required new state taxes or increases in existing taxes every year. The current tax structure does not reflect growth in the economy and does not meed the expanding need for services.

Property taxes have also forced municipalities into a mad scramble for tax ratables even where they do not benefit the long run or environmental requirements of the area. They have led to fiscal zoning, poor land use, and patterns of growth which have promoted the destruction of our cities and mandated urban sprawl. Elimination of reliance on property taxes will at the very least make possible attacks on problems in education, housing, transportation, and land use--solutions in these areas are hopelessly unattainable under the present tax system.

LEAGUE OF WOMEN VOTERS OF ATLANTIC COUNTY

Reduction of dependence on property taxes is then an absolute essential to solving our pressing problems. And a significant reduction--guaranteed to last--is the only means to winning citizen support for solutions to our problems. While the League of Women Voters of Atlantic County accepts the basic provisions of the Sears' Committee recommendations for a 40% reduction in property taxes, we would prefer to see a greater reliance on income taxes which would reduce even further the need for property taxation.

The League regards the statewide property tax as acceptable only in that it taxes for school purposes those industrial havens and public utility installations which are currently lightly taxed. But as a substitute for even this type of taxation, the League supports higher business taxes and an even more progressive income tax than the one proposed.

The League recommends an income tax which starts at a higher income level than the 5000 dollars suggested by the Sears Committee and which climbs more steeply at upper income levels. The overall effect of all taxes should be to require those who can afford to pay more to be taxed more heavily.

I would like to touch on one topic which has been mentioned by many Atlantic County residents as the panacea for all of our tax woes. And that is gambling. Unfortunately, gambling is not the answer to an unfair tax structure. For one thing, it is in the nature of receipts from gambling to be unstable and unpredictable, and hence unsuitable as components of a sound tax structure. For another, experiences with state-controlled gambling in New Jersey and other states indicate that the revenue it brings in is nowhere near as great as its supporters claim.

Take the New Jersey lottery, for example. Although it has been far more successful than other state lotteries, and brought in more than it was budgeted for, the receipts in 1970 were only 60 million dollars.

Offtrack betting, recently introduced in New York City, has also been suggested for New Jersey. But even in the city, where there are many betting parlors and a great deal of pedestrian traffic, making it convenient to drop in and place a bet, the operation is projected to make a profit of only 30 million dollars in this fiscal year. It seems unlikely that New Jersey could even match this figure.

Casino gambling? The state of Nevada, despite many attempts to build up the appeal of gambling operations, realized less than 40 million dollars from this source in 1970. Could New Jersey outdraw Reno and Las Vegas?

When we consider that in 1971 New Jersey property taxes yielded about 2.2 billion dollars, it is clear that much-needed property tax relief would fall by the wayside if we bet on gambling to solve our problems.

I would also like to comment on special privilege taxes enjoyed by two of our cities, Newark and Atlantic City. In an age when we are trying to be as equitable as possible in our tax structure, it seems grossly unfair to other residents of this state to allow these taxes to continue. All the recent arguments in favor of retaining Atlantic City's luxury tax boil down to one issue: if we eliminate the luxury tax, Atlantic City will not be able to pay its most essential bills. In other words, we must continue an unfair and unfortunate system not because it is necessarily or inherently beneficial, but because its removal would have unfortunate consequences. This type of reasoning does not coincide in any way with the meaning of an equitable tax structure. We should be looking more positively toward state aid for urban centers with their special needs and avoiding dependence on an unfair crutch.

There is one thing we must face up to. We know we will never have <u>the</u> perfect solution to tax reform. But we must have something <u>very</u> substantial. And that means we must have something which will guarantee two things: an adequate income for the state and relief from tax bills which soar year after year.

Not one of the sets of proposals offered thus far--the Sears Committee's, the Governor's--lacks some serious shortcoming, whether it be the so-called windfall to business or the inadequacy of protection to tenants. But we do have enough alternatives now so that we can pick and choose among them for the best possible tax structure for New Jersey and for its citizens.

I sincerely hope this will be the year New Jersey will step forward with a fair and workable tax structure.

Thank you.

Assemblyman Perskie asked if the removal of the luxury tax without any other relief to Atlantic City was equitable.

Mrs. Milstein realized that Atlantic City had special problems, but she believed that all the municipalities of the State should be under the same tax structure and that special state aid should be provided to meet the special problems of certain municipalities.

Assemblyman Gorman asked Mrs. Milstein if she favored a higher income tax to replace the sales tax, or to provide more services.

Mrs. Milstein felt that the proposed income tax starts a little low and does not climb steeply enough. She stated that the ideal type of tax is a progressive one and the sales tax is not a very progressive tax. She would like to see a greater reliance on progressivity.

6. PAUL GODWIN, EXECUTIVE DIRECTOR, HUMAN RELATIONS COMMISSION OF ATLANTIC CITY

Mr. Godwin stated that he was concerned with the minority groups in Atlantic City. He felt that the elimination of the luxury tax, in addition to the property tax, given the salary scales for minority people in Atlantic City, would be a tremendous burden.

The average individual in Atlantic City in 1969, made approximately $3,740. Any new tax would be a burden on individuals in Atlantic City. The schools in the City are dilapidated and overcrowded. Many people are on welfare. Mr. Godwin was happy to see so many people were in favor of gambling, but he would like to see more consideration given to having minority people share in the ownership and profits of gambling.

Assemblyman Perskie asked Mr. Godwin if he felt that the institution of an income tax would alleviate some of the property tax burden borne by the people of Atlantic City.

Mr. Godwin did not feel that an income tax would necessarily bring property tax relief because property is sold to minority people at inflated values.

Assemblyman Perskie asked what kind of reform would bring relief to the poor people of Atlantic City.

Mr. Godwin replied that he was not familiar enough with the proposals and would like to reserve comment until he was.

7. SENATOR JOSEPH L. MCGAHN, DISTRICT 2-ATLANTIC COUNTY

Senator McGahn felt that the elimination of the luxury tax would place a heavy burden on the citizens of Atlantic City. Atlantic

City would only realize a $0.20 reduction in its property tax rate under the proposed reforms and the elimination of the luxury tax would represent another $1.20 in the local tax rate. Atlantic City would be the only large city with a small reduction. Senator McGahn then discussed the proposal for site-value taxation. This proposal provides that land would be assessed at full value and improvements at 50% of full value. It would be permissive and municipalities would have to ratify it by local referendum. The full effect of the abatement for improvements would not take place until after five years. The abatement would increase from full value by 10% a year until it reached 50% after five years. The abatement would then continue indefinitely unless a municipality decided to end it by referendum and the abatement would be terminated over a period of five years. Even though the Governor said he would not consider classification this year, Senator McGahn stated that this abatement was really classification. He felt that tax abatement was necessary, but he felt that there should be a limitation on the period of the abatement and its termination should not be left to local referendum.

Because the abatement would in effect transfer to other taxpayers in a municipality the burden of raising the amount of taxes abated. Senator McGahn felt that there should be a companion measure to provide for state reimbursement for the amount of the abatement. He also felt that Atlantic City and other seaside resorts should be included among the municipalities which could opt for site-value taxation by redefining the category of those eligible which under the proposals would be principal urban centers of 75,000 or more population. Senator McGahn suggested that the definition of those eligible for the abatement should include a SMSA (standard metropolitan statistical area) or a SEA (state economic area). With respect to the excess gains tax, Senator McGahn felt that it should not be limited to three years.

Assemblyman Gorman asked if the Senator would be more favorable to the reform package if the exemption for the luxury tax were retained.

Senator McGahn did not view the entire package in an unfavorable light, but the points he discussed were those he was concerned over. He realized that the legislature was under the burden of a court order to change the system with respect to school financing which could not be overlooked.

8. SEYMOUR KRAVITZ, HOST OF LOCAL RADIO SHOW ON WOND

Mr. Kravitz indicated that the tax reform proposals had been discussed on his show for the past few months, and he had a number of ideas and questions from his listeners to present to the committee. He mentioned that senior citizens were concerned over their $160 deduction. He asked if social security benefits were included in determining the senior citizens credit.

Assemblyman Perskie replied that social security benefits would be included in determining the senior citizen credit under reform proposals, but the income limit would be raised to $7,100.

Mr. Kravitz asked what would happen if a senior citizen owed less in income tax than his senior citizens property tax credit.

Assemblyman Perskie indicated that a senior citizen would get a cash rebate in this situation. He pointed out that no senior citizen who currently enjoys a senior citizens deduction will receive any less under the tax reform proposals and the proposed credit will be available to more senior citizens than the existing deduction.

Mr. Kravitz asked what would be considered taxable income under the proposed income tax.

Mr. Perskie stated that the proposed income tax would start with the federal definition of adjusted gross income, and add and subtract certain New Jersey variations, such as the senior citizens deduction, a renters deduction, and excess gains provisions.

Mr. Kravitz continued to indicate some of the concerns expressed to him by his listeners. The question continually comes up as to what has happened to the lottery money. There is concern that South Jersey is the stepchild of the State and that its needs are often overlooked. Particular concern has been expressed over the loss of the luxury tax and what it will mean to the residents of Atlantic City. Atlantic City's convention hall is one of the few in the country that does not receive state aid. A question has also been raised as to why there is such a rush to get the tax reform program through. The proposals deserve due consideration and should not be rushed through. A point has been made that a public relations firm will be out selling the program, and the question has been asked about who is paying for the public relations firm. Is State money being used to sell this program to the legislature? The people would probably support the income tax if they understood it and could see that there would be true reform. The general consensus seems to be that there will be no reform, and that it will mean only more taxes and more money out of the pockets of the citizens of the State.

Assemblyman Perskie pointed out that the time schedule was not set by the committee and it had no option with respect to it.

Mr. Kravitz asked why the committee had no option and why they had to come out with a bill at this time.

Assemblyman Perskie stated that the legislature had to come up with a program for school financing by January 1, 1973 because of the Botter decision. He indicated that the committee had no knowledge of a public relations firm selling the tax reform proposals.

Mr. Kravitz noted that legalized gambling had been left out in the tax reform proposals and said that his experience indicated that the people were overwhelmingly in favor of state-contolled legalized gambling.

9. ALAN OWEN, EXECUTIVE SECRETARY, GREATER ATLANTIC CITY CHAMBER OF COMMERCE

Mr. Owen indicated that his organization had not had enough time to fully consider the proposals. He felt that the people of Atlantic City should not be made to feel parochial because they keep harping on the luxury tax question. It is a problem for Atlantic City which is a part of the State. Mr. Owen stated that Atlantic City needed the luxury tax. He pointed out that many of the mayors throughout Atlantic County supported Atlantic City on the luxury tax question. He felt that it would be interesting to see how much sales tax was generated by Atlantic City if the figures were ever available. Atlantic City does more to stimulate tourism than the State. Mr. Owen thought it was significant that the AFL-CIO took the position that it did. He did not feel the entire package was no good, but he expected there would be strong objections from the state business sector. He thought the State would have to get into more broad based taxes in the future. He was in favor of legalized gambling and thought the people of the State should be given the opportunity to decide. Mr. Owen stated that we should not be afraid of the word profit because if business profits, then those at the bottom of the strata will benefit. The only other way that those people will get more money is by a handout, and they have had too much of that already and they have too much dignity for it.

Assemblyman Perskie indicated that he was unable to obtain from the Division of Taxation data on sales tax receipts by area because no data was collected on this basis.

Mr. Owen said he could help to provide such data.

Senator Merlino said he would not be pressured into acting on the tax proposals. Assemblyman Gorman stated this was also his feeling. Assembly Perskie indicated that this was the feeling of the committee.

10. <u>JOHN A. ROGGE, MAYOR OF BRIGANTINE CITY, ATLANTIC CITY</u>

CITY OF BRIGANTINE

BRIGANTINE NEW JERSEY

08203

JOHN A. ROGGE, Mayor
Director of Public Safety

JOSEPH F. STAINES
Director of Revenue and Finance

JOHN WALKER DANIELS
Director of Public Works

J. EDWARD BRIDGEHOUSE
City Clerk

STATEMENT OF MAYOR JOHN A. ROGGE FOR PRESENTATION BEFORE THE ASSEMBLY TAXATION COMMITTEE, HOWARD JOHNSON MOTEL, ATLANTIC CITY, NEW JERSEY, ON June 2, 1972:

My name is John A. Rogge and I reside at 2703 Revere Blvd., Brigantine, New Jersey. At present I serve as Mayor of the City of Brigantine (since January 1, 1971) after previously serving for 11 years as Director of Revenue and Finance for the City.

In addition, I presently serve as a Director of the Guarantee Bank of Atlantic City and of the Anchor Savings & Loan Association of Atlantic City, and as a Trustee of the Presbyterian Homes of the Synod of New Jersey. I am also a Past-President of the Greater Atlantic City and County Board of Realtors and of the New Jersey Association of Realtor Boards.

Since the issuance of the Report of the New Jersey Tax Policy Committee in March, I have studied the Summary and the complete file of the five supplementary reports. However, I have been unable to obtain printed copies of the various bills introduced by the Governor in the Legislature, and my Senator informs me that even he has been unable to secure the complete printed set of such bills!

As a taxpayer, businessman, citizen, and Brigantine City Official, I stand fully opposed to both the Tax Policy Committee recommendations and these legislative proposals "in toto at"this time and sincerely ask that the Legislature take no hasty action on them at this time.

I say "at this time" because we citizens cannot intelligently make our recommendations on these proposals when they have not been given to us in writing to study. The legislators too need this time to study...and it would be inconceivable to me that any votes could be taken on this package of bills until at least a month after the bills all appear in print for our mutual edification.

This report of the tax policy committee calls for a major **restructuring** of our tax system here in New Jersey...and the Tax Policy Committee members want this to take place "in toto" and not piecemeal. In my opinion, the changes are too drastic to warrant any such total action. There are over 442 changes recommended, and by attacking our present system on this grand a scale and attempting to meddle with and change so many interrelated parts of our present system, we could in fact end up doing more damage to our governmental society than any good we would accomplish. In other words, I think that the Committee was wrong, and that whereas we could, and should, change many of the individual characteristics of our present tax system, we should not try to play God by attempting too drastic a total change at one time. To make this large number of interrelated changes at one time would, in my opinion, be beyond man's power to plan and comprehend the full and complete effects thereof.

Furthermore, I feel that the total result of the Tax Policy Committee recommendations would merely be to put money into one pocket of the taxpayer (i. e. by reducing his property taxes) and then take infinitely more out of the taxpayer's other pockets (i.e., income tax, increased taxes on beer, wine, gasoline, cigarettes, sales tax, and inheritances.)

In the case of Brigantine,for example, the 1971 taxes on an average $20,000. home amounted to $602. based upon our $3.01 tax rate. The Committee report indicates that our tax rate would drop 19% to $2.43 which would produce taxes of $486. on the same property....or a saving of $116.. However, under the terms of the proposed new income tax, this same average citizen of Brigantine would be forced to pay an income tax of 2% on his $9000. annual income, a tax of $190.! So right there our poor average taxpayer has suffered a net loss of $74....without considering all his other proposed increased taxes on Sales Tax items, wines, beer, cigarettes, etc..

And this is only for the average taxpayer in the $9000. tax beacket and the $20,000. home.- the picture is much, much worse for anyone with an income over that figure!

But beyond the actual tax dollar loss to our citizens, I see many other problems in this Tax Policy Proposal. For one thing, our citizens will have to support a whole new bureaucracy of public employees at the State level to administer this income tax...and at the same time, there will be no lessening of the bureaucracy they presently support at the municipal level because we must continue to provide the same municipal services and continue to collect our property tax.

Secondly, I do not want to see the authority and responsibility to legislate and tax further removed from the local taxpayer level. In my experience, when the local official or school board increases expenses or increases taxes, the local citizens storm into the next meeting or come to the next election and easily register their objections....whereas, when State legislators raise our taxes or increase our expenses of government, it is very difficult for the local taxpayer to protest by running to Trenton and he does not retain his ire on the same personal basis against that legislator at the next State election. In other words, it will be much easier for the State legislators to <u>raise</u> the income tax rate over the coming years than it would for the local officials to raise the local tax rates... and with certainty I predict that our taxpayers will suffer.

Thirdly, the fires of inflation will be fueled if these property tax rates are lowered so drastically because real estate market values are based largely on the net return to the investor. So if the tax rate is lowered 40% as Gov. Cahill predicts and the owner thus ends up with more money, this will be capitalized into greatly increased property values and prices--especially in investment properties. The real estate market has been characterized by considerable inflation expecially during the past few years--lowering tax rates in this fashion would send such prices through the stratosphere!

Philisophically, I also do not want to see the source of decision power transferred from the local scene to the State scene. I do not want to have teachers' salaries and fringe benefits established at a State or regional level, for example, rather than at the local level. Yet we all know that if the financing power is moved from the local source to the State level such as that envisioned in the State income tax versus the local property tax, then those who control the pocketbook will end up controlling more of our lives.

Before I close, I do want to emplasize that there are many <u>excellent</u> suggestions among the 442 specific recommendations in this Tax Policy Committee Report. We do want to improve our assessment procedures and tax appeal regulations, for example, and we do like the creation of a New Jersey Municipal Credit Corporation to operate a municipal bond bank and a local debt management advisory service. We do want to eliminate inequities in present tax exemptions such as those regulations which allow property owners with $100,000 homes on the beachfront and incomes to support them to qualify for the Senior Citizens Exemption.

However, my plea is that we consider and handle them one at a time or in small groups after much study and deliberation... and not be "snowed" into hastily adopting a total major restructuring package which we will later regret.

I appreciate your patience in listening or reading this presentation and hope that this will be but the first step in a continuing process of evaluating and changing our governmental systems and characteristics over the coming months.

Assemblyman Perskie asked the Mayor what he thought of the proposal to establish assessing districts.

Mayor Rogge favored this proposal. He thought it had great merit and mentioned that some municipalities now use a common assessor.

Assemblyman Gorman asked if the appointment of local assessors by the Director of Taxation would be a threat to local control.

Mayor Rogge thought it would not because assessing is not a policy matter.

Assemblyman Gorman asked if the proposed property tax limits were effective guarantees against increased property taxes.

Mayor Rogge did not see how it could work. What if Brigantine experienced serious hurricane damage to its beaches and it had reached its tax limit and no federal or state funds were available. He did not know how the limit would work in that situation.

Assemblyman Bedell asked what effect the property tax reduction would have on property values, and zoning and planning.

Mayor Rogge felt there would be a dramatic effect in areas of high tax reduction and there would be a heavy inflation in property values in these areas. He did not know what the effect would be in zoning and planning.

11. MRS. MILDRED HAYWOOD, CHAIRLADY OF ATLANTIC COUNTY SENIOR CITIZENS

Mrs. Haywood was concerned that the senior citizens deduction would be cut.

Assemblyman Perskie assured her that no senior citizen who is currently receiving a $160 deduction would receive less under the reform proposals, and some senior citizens who are not now entitled to a deduction will be entitled to one under the reform proposals.

The committee recessed for lunch.

AFTERNOON

12. ANTHONY CISTAGNA, PRESIDENT, PLEASANTVILLE TAXPAYERS ASSOCIATION

Mr. Cistagna related some of the history of his organization. He showed the committee a chart which demonstrated the financial situation of Pleasantville. It showed that local expenditures rose rapidly while the tax base expanded slowly. The Association has studied the Tax Policy Committee's report. He stated that the legislature should take its time and do the job of restructuring the tax system properly.

Mr. Cistagna indicated that his association was basically in favor of the reform program and would support it, but the people definitely want safeguards.

1. The state property tax limit of $1.00 per hundred should be a constitutional amendment so it can not be easily changed.

2. Local municipalities should retain control over the spending and administration of school funds.

3. There should be strong statutory or constitutional limits on county and local tax rates.

4. The sales tax should not be expanded, either in rate or items covered, and consideration should be given to reducing it.

5. The recommendations of the task force on assessments should be followed closely.

    A. There should be qualified local or district assessors.

    B. Appeals of assessments should be simplified.

    C. The county appeals board should be replaced by a judicial board.

6. State income tax rates should be adhered to and not be changed every time it is felt more money is needed.

This program should provide the money that is needed and consideration should be given to dedication of the revenues involved. The legislature should insure that the rates do not rise. As the tax base expands, there will be more money. If the base decreases, it is the legislature's duty to reduce spending.

Mr. Cistagna noted that there had been tax reforms in the past, like the sales tax, but taxes still continued to go up. He indicated that many people were considering a taxpayers revolt. His organization was going to recommend to the Atlantic County legislators that they adopt the package with safeguards. He wanted a tax structure as equalized as possible, with strong top limits on the amount of taxes that can be assessed. We have to recognize what the limits of taxation are, and to spend within these limits.

Assemblyman Perskie asked if Mr. Cistagna favored a higher income tax in order to eliminate the sales tax.

Mr. Cistagna felt the sales tax should be left alone for now and eventually be downgraded.

Assemblyman Perskie asked where additional revenues would be raised if the limits suggested were adopted.

Mr. Cistagna questioned why it had to be assumed that government costs would rise beyond what we could afford to pay.

Assemblyman Perskie stated history shows that governmental costs continue to rise and even under the best conditions this would probably be true. Where would the State obtain increased revenues to meet these rising costs?

Mr. Cistagna felt the income tax base would grow and provide more money, and beyond this the State should spend within the limits of funds available.

Assemblyman Gorman asked if the legislative schedule for consideration of the tax proposals was realistic.

Mr. Cistagna felt it was not and more time should be taken.

Assemblyman Gorman asked if the tax limits in the package were sufficient.

Mr. Cistagna felt that the limits should be firm and should be provided by constitutional amendment if necessary to insure firmness.

Mr. Bedell asked if the public was aware of the tax reform proposals.

Mr. Cistagna did not feel that it was, but he noted that there had been considerable coverage in the media.

Assemblyman Bedell asked if limitation on the costs of government is possible, and if not, how can taxes be limited.

Mr. Cistagna felt that if limits are set, it is possible to live within the limits. He felt that people could do without more governmental services.

Senator Merlino stated that based upon his experience in municipal government, services cannot be limited or cut.

Mr. Cistagna said that tax limits would attract people and business to New Jersey, and that businesses must operate within limits and so should governments.

Senator Merlino stated that government cannot be classified the same as business. Business is operated for a profit and government is operated to render service to people. You cannot run a government like you do a business.

Assemblyman Bedell felt that the major thrust of the Tax Policy Committee's report was to provide an elastic tax structure which would provide room for taxes to grow and he found Mr. Cistagna's support for the proposals and his suggestion for arresting the growth of taxes contradictory.

Mr. Cistagna said that the rate of taxes should remain inelastic and that the elasticity should come from growth in the tax base.

13. MRS. KATHERINE CRAMER, TEARS (TAXPAYERS EMERGENCY ASSOCIATION FOR RELIEF)

Mrs. Cramer was not in favor of an income tax unless it starts at an income of $20,000. An income tax on lower incomes will drive more people to welfare. She claimed that people will accept a reduction in services just as they accept tax increases. Mrs. Cramer indicated that her group was able to effect a reduction in the costs of government in Atlantic City. She felt that regimentation throughout the State was no good because different areas have different problems, and cited urban renewal as an example of harmful regimentation. Mrs. Cramer said that incentives were needed to property owners to improve their property or else there will be more ghettoes. The government is spending very wastefully. The economy of Atlantic City is already depressed and the tax reform package would depress it further. Incentives are needed for people and business to come to Atlantic City, and to reduce the welfare rolls and unemployment. A 4% property tax would be alright, but an income tax would have to start at incomes of $20,000 to be permissible. More efficiency in government at all levels is necessary. The power to tax is the power to destroy and that is what is happening in Atlantic City.

Assemblyman Perskie asked how high an income tax rate would be tolerable under her proposal.

Mrs. Cramer had not given this question any consideration. She mentioned that the average income in Atlantic City is in the $3,000 to $10,000 range.

Assemblyman Perskie asked what the impact on Atlantic City would be if the program provided for an income tax with a reasonable low income exemption, low rates on the lower incomes and moderately progressive rates on higher incomes.

Mrs. Cramer did not feel that there should be any tax on low incomes and that this would be an incentive for people in this category to go to work and not onto the welfare rolls.

14. THOMAS W. WILSON, FORMER PRESIDENT, PLEASANTVILLE TAXPAYERS ASSOCIATION

Mr. Wilson stated that the first priority is not to enact an income tax, but to put a limit on taxes and equalize them as the present laws provide. He showed the committee a chart indicating the property tax rates for each county in the State. He claimed that a property tax collected equally throughout the State with a 4% limit would eliminate the need for an income tax. In the year indicated in the chart, the equalized rate for the State would have been $3.52, and there would have a potential for a 12% growth in tax revenues up to the 4% limit. The property tax has not been properly used and it is forcing the legislaure now to consider an income tax.

If further taxes are needed, the new tax must be a progressive and flexible tax. The proposed state income tax is coupled with the federal income tax which has its own inequities, and this is not fair. Before starting with an income tax, a limit should be put on the property tax; then if an income tax is needed, go for it. If governments at all levels balanced their budgets and stopped causing inflation, and stopped all the wasteful spending, there would be no need for increased taxes.

Assemblyman Gorman commented that a 4% limit may not be adequate for some communities, particularly the poorer communities.

Mr. Wilson indicated that the 4% limit should be statewide, and the property tax burden should be equalized.

Assemblyman Gorman asked if Mr. Wilson was recommending staying with the property tax.

Mr. Wilson said the property tax could not be done away with. The Sears committee added the income tax to achieve flexibility. In order to equalize the property tax burden, the tax would have collected on the State or the county level.

15. ARTHUR GAGER, PRESIDENT, FRALINGER'S SALT WATER TAFFY

Mr. Gager stated that governments have developed an insatiable appetite for money, that is getting worse and worse as years go by. He mentioned various bond issues, the sales tax and the lottery. No taxes have gone down. New taxes are now being considered and any new tax is an abomination. These new taxes will be like all taxes in the past, they will stay and grow. Mr. Gager hoped the committee could find a solution without having a new bureaucracy for a new tax, and new taxes which continue to rise. He took exception to remarks that the tax reform would only affect the rich because almost all income groups will have to be included to raise the money necessary. Mr. Gager questioned if the luxury tax is to be taken away, does the State intend to replace it with something else. Atlantic City needs the luxury tax. He felt there was an intent to deprive Atlantic City of the revenue. Mr. Gager said if there is to be an income tax, the property tax should be eliminated. This is probably not possible because municipalities have to raise their own revenue, but additional taxes are unfair to the people. The State will lose to the extent that property taxes paid by nonresidents are transferred to the income tax. If there is to be an income tax, the federal system should be employed to avoid a new burden on business.

Assemblyman Perskie mentioned that two taxes would be repealed under the program, the unincorporated business tax and the retail gross receipts tax. He asked Mr. Gager if he would prefer a higher state income tax to eliminate the property tax.

Mr. Gager did not want more taxes, so if one was added, he would like to see one deleted. He would favor a higher income tax to eliminate the property tax.

Assemblyman Bedell asked Mr. Gager if he was opposed to the main tenets of the reform proposals.

Mr. Gager replied that he was opposed to them.

16. HERBERT GASKILL, SECRETARY, BOARD OF ASSESSORS, MARGATE CITY, ATLANTIC COUNTY

Mr. Gaskill felt that the proposal for establishment of assessing districts is a step in the right direction. It will enable small communities to afford professional assessors. Mr. Gaskill showed the committee a chart of the abstract of ratables for Atlantic County. The chart indicated the inequity in and the magnitude of school financing in the county. Mr. Gaskill felt the best way to raise the money needed by the State to finance public education is through an income tax. Differences in income levels are usually related to education levels, and thus the higher income levels should bear a greater share of the cost of public education. Mr. Gaskill opposed the proposed state property tax because of variations in assessment levels throughout the State. He preferred to finance public education entirely from an income tax based on ability to pay. School financing would then be equalized on the

Assemblyman Gorman asked for comment on the proposal for appointment of assessors by the Director of Taxation.

Mr. Gaskill felt that it could do away with favoritism.

Assemblyman Gorman asked for comment on the bill requiring attorneys on county tax boards.

Mr. Gaskill was in favor of qualified people on the county tax boards, and felt that non-attorney members should be certified tax assessors. He also felt that county tax boards should be required to give reasons for their decisions.

Assemblyman Bedell asked the staff what income tax rates would be needed to raise all the required funds for public education.

Mr. Deardorf replied that the rates would have to be three times those in the proposed income tax bill.

17. MAX LANDSMAN, VENTNOR CITY, ATLANTIC COUNTY

Mr. Landsman said he would rather see the sales tax raised by 1% than an income tax imposed and a new bureaucracy created. He felt that we should live within our means. He was against the income tax.

18. HEROD E. MCCLOUD, PUBLIC AFFAIRS NEWSLETTER

Mr. McCloud indicated the income groupings in the area. He stated that if you wanted to destroy the citizens of the area, the way to do it is to levy a confiscatory tax. On the luxury tax question, he called for less parochialism. Mr. McCloud felt that there was no tax policy in the State. He wanted the State to adopt a tax policy which would tell the people where the tax money goes and which would be equitable for the income groups in the county.

19. ROBERT CERICOLA, SECRETARY-TREASURER AND BUSINESS AGENT, TEAMSTER'S LOCAL 331

Mr. Cericola, stated that the removal of the luxury tax would put a burden on the working people of Atlantic City, and do them an injustice. If the State is going to get into additional taxes, he felt that elderly people should not be taxed out of their homes. He felt that working people were paying their fair share of taxes. Mr. Cericola mentioned the loopholes in the federal income tax. He hoped there would be no additional taxes, but if there had to be, he hoped they would be fair for the people of New Jersey.

Assemblyman Bedell asked what Mr. Cericola's feeling was with regard to the AFL-CIO position in opposition to the program.

Mr. Cericola said he was basically opposed to additional taxes, but he would like to be able to study the program before taking a position on it.

The public hearing was adjourned.