

REPORT OF THE COMMISSION APPOINTED UNDER JOINT RESOLUTION NO. 14, PASSED APRIL 1ST, 1926, TO INVESTIGATE AND CONSIDER THE QUESTION OF THE TAXATION OF ALL PUBLICLY OWNED PROPERTY, AND THE QUESTION OF THE TAXATION OF PROPERTY USED FOR THE PURPOSE AND FOR THE PROTECTION OF PUBLIC WATER SUPPLY.

To the Senate and General Assembly of the State of New Jersey:

The commission appointed under Joint Resolution No. 14, passed April 1st, 1926, to investigate and consider the question of taxation of all publicly-owned property, and the question of the taxation of property used for the purpose and for the protection of public water supply, herewith submits its report.

Your commission organized within thirty (30) days after their appointment as in said resolution directed, and selected Hon. Walter R. Hudson as Chairman, and the Hon. Joseph A. Delaney as Secretary, and in pursuance of the authority given in said resolution appointed Daniel L. Campbell, Esq., as Counsel to assist the commission and Mr. William M. Berdan as Clerk to assist the Secretary.

A public hearing on the matters referred to the commission was arranged to be held in the Assembly Chamber of the City Hall, of Jersey City, New Jersey, on Friday, November 12th, 1926, at 2:00 P. M., of which notice was given to representatives of the municipalities particularly affected by the question of taxation of property used for the purpose and for the protection of public water supply.

The property used for the purpose and for the protection of public water supply is of a character which distinguishes it from all other municipal activities.

The necessities of the people living in given municipalities particularly those in the congested sections of our State, have rendered it necessary for the municipalities to go outside of their own boundaries, and to acquire large tracts of land for the purpose of securing a water supply, and for the protection of the purity of that supply when obtained.

It is necessary to convey the water from the outlying region in which the reservoirs are located through pipes which are laid directly to the municipality owning the water system, and may pass through many different municipalities and taxing districts; and in order to lay such a pipe line or lines strips of land or easements of strips of land are acquired in which the line is laid.

The water so conserved and obtained is sold by the municipality to its residents, and in some cases to other municipalities without a water supply of their own.

These outlying municipalities in which the reservoirs and water sheds are located and the municipalities through which the land for the pipe line runs have complained that a large amount of the ratables of their taxing districts have been taken out and that they are seriously oppressed by the exemption of such property from taxation.

It is apparent from the legislative action of 1910 (Public Laws of 1910, page 199) that it was not the policy of the State that such property should escape taxation by the municipality in which the property was located, although the improvements should not be taxed; and the revision of the Tax act in 1918 provided that "property of the respective counties, school districts and taxing districts (when located therein and used for public purposes)" should be exempt from taxation. It is evident that it was the policy of the Legislature that public property belonging to a municipality, when located within that municipality should be exempt from taxation, but when located in another municipality should be taxed without regard to the improvements made thereon.

This legislation, however, having been brought before the courts it was decided by the Supreme Court that a distinction could not be made with regard to publicly owned property because of its location, that it could not be exempt in one place and taxed in another, and that such a distinction between exemption and taxability was contrary to the constitution.

The effect of this is that the municipalities which are so situated as to offer a convenient and desirable source of water supply have had taken from their limited amount of ratables large areas of lands, which, under the decision of the Supreme Court, are absolutely exempt from taxation and from bearing any of the burdens of the municipality in which they are located.

This difficulty was made very apparent at our hearing, and the injustice of it was frankly and freely admitted by important officials of the city of Jersey City and has been concurred in by equally important representatives of the city of Newark, both of which cities are the owners of water supply systems located in other municipalities.

The representatives of both of these cities expressed their belief that such property should be taxed, but also agreed that they were opposed to having the taxing of such property left in the hands of the local assessors as their experience had been that this led to injustice and necessitated their appearing in the courts, which had resulted in the decision upsetting the tax.

Your commission, after due consideration of all of the evidence it has taken, therefore, recommends that section 203 of

the Tax Revision act of 1918, as amended by chapter 221 of the Laws of 1925, providing for the exemption of public property, be amended so as to read as follows:

"2. The property of the United States and the State of New Jersey; property of the respective counties, school districts and taxing districts, used for public purposes (except real estate used for the purpose and for the protection of public water supply), and property used for the preservation or exhibit of historical data, records or property; and real property bought in for debts or on foreclosure of mortgages given to secure loans out of public funds or out of money in court shall be taxed unless devoted to public uses."

Your commission would also recommend that a supplement to the Tax Revision act of 1918 be enacted providing for the taxation of all real estate of the respective municipalities used for the purpose and for the protection of public water supply in the respective taxing districts in which the same shall be situated, which assessment shall be determined by the State Board of Taxes and Assessments each year after examination and injury and due notice to the municipalities affected.

We also submit herewith appropriate bills which will accomplish the legislation suggested.

Respectfully submitted,

WALTER R. HUDSON,
Chairman;
WILLIAM B. MACKEY,
HENRY A. WILLIAMS.

The following report was received and read, and, on motion of Mr. Stevens, the same was ordered filed:

STATE OF NEW JERSEY.

NEW JERSEY INTERSTATE BRIDGE AND TUNNEL COMMISSION.

January 24th, 1927.

To the Honorable Senate and General Assembly of the State of New Jersey:

GENTLEMEN—I transmit herewith the annual report for the year 1926 of the New Jersey Interstate Bridge and Tunnel Commission setting forth the progress in the construction of the vehicular tunnel under the Hudson river, now known as the Holland tunnel which this commission, representing the State of New Jersey, is building in conjunction with the New York State Bridge and Tunnel Commission, representing the State of New York.