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Gov. Christie On TTF And Tax Cuts: We Need To Make New Jersey Competitive And Affordable

Wednesday, June 29, 2016

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Gov. Christie On TTF And Tax Cuts: We Need To Make New Jersey Competi...


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Transcript:

Question: If we can shift gears for just a moment. Last night, I guess it was around 12:30 AM deal was struck on the 23 cent increase on the gas tax. My understanding is that the offset, which you have championed, is to reduce the states sales tax now by 1% but it won't kick in until 2018.

Governor Christie: No, 2017.

Question: Oh, 2017. That is going to be on your watch?

Governor Christie: Yes, sir. I will explain the whole thing to you. Okay, so let's talk Transportation Trust Fund for a second. This is what the Transportation Trust Fund is: it is a fund where all of the gas tax money that you pay in the state goes into, and we use that money to both spend and borrow against to be able to pay for the transportation

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projects around the state- roads, bridges, and mass transit. Over my time as governor, we have spent \$1.6 billion a year of your gas tax money on improving roads, bridges, and mass transit. We usually have done these in five year plans since 1988 when Governor Kean started the Transportation Trust Fund. And this is the end of the five year plan- in two days, June 30, 2016. The last time the five year plan was renewed was when I did it in June of 2011. So we have been having a big debate. The gas tax in this state has not been increased since 1988. We are the 49th highest gas tax in America- shocking that we have a tax that low but we do. Here is the problem though, we're out of money. We're out of money. I cannot borrow any more money to try to do roads because all of the money that I collect in gas tax now, starting on July 1st is spent to pay for the debt that we've run up to pay for the roads over the last 25 years. So we needed to come up with some kind of solution. The problem is that in Trenton most of the time and especially- and I try not to make these partisan at all but I have to make this one- the Democrats usually just want to raise taxes and that's their solution to every problem. What I've said to them is ok, I'll consider an increase in the gas tax, but there has to be tax fairness for people. If we're giving them a tax increase in one area because we think that area is important, having good roads, good bridges, good mass transit systems, then we need to give them a tax cut someplace else. Now there was all kinds of discussions of other tax cuts going on in the state legislature: an estate change tax change, to lower what you pay when you die; deducting charitable contributions; a retirement exclusion, for if you're getting retirement funds whether from a pension or an IRA, or a 401k; giving a higher amount of exclusions, so that if you make a certain amount of money you don't have to pay income tax at all as a retiree as a senior. All of those things were being discussed. I had been saying, like I'm just sitting back and watching what you guys do and when you get serious, come talk to me. As I told you, it's the last week so now they got serious. So yesterday they came to talk to me. What I said was, listen, the people who are paying an increased gas tax are the very same people who are paying the sales tax, except about 20-30% of the gas tax is paid by out of staters because we're such a commuter state up and down the east coast corridor about 20-30% a year of the gas tax that we collect is paid by people outside the state of New Jersey. So I said we need to have tax fairness. So I say, I've advocated let's reduce the sales tax from 7% to 6%. Everybody pays that. You buy anything in the state that's subject to the sales tax, you pay sales tax. And so the way it would work is this: January 1st 2017, the sales tax will go from 7% to 6.5%. January 1, 2018, while I'm still governor, the sales tax will go from 6.5% to 6%. So we get a 1% decrease in the sales tax what that means is it's a tax cut about \$1.3 billion. And it would be the first state wide tax cut that has been given in New Jersey since Christie Whitman cut taxes in 1994. It's been 20 years since they've- 21 years since they've cut state taxes in New Jersey. That would reduce your taxes, and for the average person in New Jersey a 1% cut in the sales tax saves you about \$465 a year. An increase gas tax of that amount costs you for the average driver who drives about between 11 and 12,000 miles a year which is the average in New Jersey and the average miles per gallon in New Jersey is about 24 miles per gallon, so it would cost the average driver in New Jersey about \$200 a year. So I said listen, if we're going raise their taxes I want to give them a tax cut on the other side. So it's about a \$200 tax increase for a \$465 tax cut on the other side. You all deserve to have your expenses lowered a little bit. And here's the last piece of the gas tax, it's constitutionally dedicated to only transportation so we can't spend it on anything else. It has to be just roads. So last night the state Assembly passed that plan and also retirement exclusion. It would be phased in over the next four years but it would eventually get up to, if you make less than \$100,000 a year in retirement income as a senior, whether it came from pension, IRA, 401k, and social security, a combination of all of them, you would pay no income tax. So seniors would pay no income tax, up to \$100,000. Now those are to me, tax cuts that make a difference. You don't get to choose whether you pay sales tax or not. When you buy something that's taxed, you got to pay it whether you can afford to pay it or not, then your decision is, can I pay it and especially when we talk about some of those bigger ticket items, some of us who buy a car or other things, 7% is a big number. And 1% less is 1% less on a big number is a lot of money. So that's why I like the sales tax cut and I like the retirement exclusions because I want to keep seniors in New Jersey. I don't want you to have to leave because of this combination of what we're talking about in the fairness formula, on property taxes and the income tax that you have to pay on the money that you already paid tax on before you saved it. So you paid tax on all that money before you put it into your pension, your 401k, or your IRA, and then when you take it out we say, excuse me, we'd like to tax that again please. I mean wait a second, you already got a piece of this on the way in, and now I want a piece of it on the way out. I say up to \$100,000, you should be able to keep it. You paid taxes on it already. So I think those are two tax cuts that make a difference and if I need to do that in order- I want to do that if they want to raise the gas tax. And the gas tax then would be paid, dedicated to roads, bridges, and mass transit, and it will be paid by the people who use that system. The people who use the roads will pay for it and it will be dedicated just to that use. I've never signed a tax increase in seven years as governor, I didn't want it to be for this one but I also don't want our roads to fall apart, our bridges to fall down, or our trains not to be able to run. That doesn't make us competitive as a state and it makes your life in a state that already is the most crowded state in America, even more aggravating. I want you to be less aggravated if that's possible in New Jersey. And so now- the story's not over, because the State Senate left last night and didn't do anything. No it's not. So, they're coming back on Thursday. So between now and Thursday there's going to be a lot of conversation about this but I think it's- I've been saying all along, tax fairness, tax fairness, tax fairness. I'll consider raising the gas tax but only if we consider get tax cuts for people on the other side. It will be a significant tax cut to go down 1% in the sale tax and to have seniors get retirement income excluded so that they can afford to stay in their homes, afford to stay near their families, afford to stay in the state where they raised their family. You should be able to that, we need to make New Jersey affordable for those people on a fixed income and that's what this helps to do as well. So that's the story on the TTF. Alright.

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