

PUBLIC HEARING

BEFORE

JOINT COMMITTEE ON STATE TAX POLICY
SUBCOMMITTEE ON PROPERTY TAX RELIEF FUND

(PURSUANT TO SCR-64)

HELD:

AUGUST 15, 1978

COUNCIL CHAMBERS

CITY HALL

ATLANTIC CITY, NEW JERSEY

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APPENDIX

Letter submitted by Commissioner Edwin J. Roth

A S S E M B L Y M A N A L A N J . K A R C H E R . First of all, I want to welcome you all here this afternoon. It's nice to be in Atlantic City. Let me introduce myself first. I am Assemblyman Alan Karcher. This is a meeting of the Joint Tax Policy Committee and technically this Committee is Subcommittee #1 which is focusing upon and oriented towards the review and analysis and the projection as to the future of the Property Tax Relief Fund. However, I only say that by way of establishing the record. Actually, anyone who wishes to speak on any subject that is germane to the entire subject matter of the tax policy in New Jersey will be welcomed today and will receive your comments as if this were a total Committee and, of course, the remarks are being taken down by electronic recording equipment, and they will become a part of the permanent record of this Committee and the Subcommittee. We will have here the type of record of what is being done and that, of course, will be at the disposal of all the members of of the Joint Tax Policy Committee. I'm pleased to chair that particular Subcommittee but in deference to my gracious host Senator Perskie, I am actually going to first of all welcome and also introduce to you Senator Walter Foran who had the pleasure to serve us in the Assembly and now he has moved onto bigger and better and greater things. He's a fine gentleman and a good friend. And, of course, Senator Perskie who I am sure most of you if not all are familiar with. And with those introductory remarks, I want to turn this meeting over to Senator Perskie.

S E N A T O R S T E V E N P . P E R S K I E . Thank you, Alan. We have here today in addition the two principal staff directors for the Committee who are basically in charge of the digesting and collating of all of the information that we have been collecting throughout the State. This is our ninth and at the moment our last scheduled hearing. During the course of the summer, we have had hearings in every area of the State and we have had testimony from most of the various elements of the State in terms of not only geographic area but from the business community, from local governmental officials, from individual taxpayers and taxpayer groups. And seated to my immediate left is J. Gilbert Deardorff who has a variety of titles officially but his unofficial title is the number one man in the Legislature with regard to fiscal affairs and we also have Bill Zuzzio who is seated at the table in front of me to my left who along with Gil serves as the Staff Aide to the Committee. For the benefit of those who didn't hear when we announced it earlier, anyone who wishes to speak should please at some point come up to the front and check in with this gentleman whose hand is about to go up and he will keep a record and we will take them basically in the order in which they come except that I have had a few requests of by reason of scheduling problems and I will honor those requests now. When you come up to testify, please make sure that you speak into the microphone because as Alan indicated everything that is being said is going to be transcribed for the benefit of the other nine members of the major Committee who are not here with us today. Let me mention that if anyone who has a prepared statement should please be sure to present

it to the staff here and we will see to it that the statement is attached to the minutes and is circulated to all of the members of the Committee. First, I would like to ask Richard Squires to come forward and Mr. Squires is the Chairman of the Atlantic County Board of Chosen Freeholders and in addition serves as a Tax Assessor in Egg Harbor Township in Atlantic County.

R I C H A R D E. S Q U I R E S. Thank you very much. First of all it's really a pleasure to have this hearing in our own locality in Atlantic County and I do appreciate the Committee's time in coming in this direction. I have two items I would like to hit upon. One is Homestead Rebates and the other one is Ratio and I am addressing you today as President of Egg Harbor Township's Board of Assessors. The Tax Assessors office was never intended to have the work load of the Homestead Rebate program that now exists. In my office, I estimate 30 percent of our time is connected with the filing, proofreading, answering questions and researching whether taxpayers have filed or not because most of them have forgotten once after they have filed and have to recheck with our office.

I propose that this Committee look into the feasibility of taking the certified number of Class #2 residential homes in each municipality and convert the Homestead Rebate system to a flat figure allowing the deduction on the tax bill in much the same fashion of the Veteran and Senior Citizen deduction.

This way all homesteaders would be getting the credit with no discrimination against those who never hear or file. Many property owners in New Jersey, although too proud to say it, cannot read or write thus never receive the word about filing for the Homestead Rebate. And let me just say that I know for a fact that this does exist and have had some real interesting conversations with such taxpayers and no matter how many ads we put in the paper or radio it just seems that a lot of these people never get the word and the end result is is that when the checks are sent out they then come forward and want to know why they didn't receive theirs.

At the same time the high clerical State cost of administering this program as well as the postage of over \$400,000 per year would be eliminated. Now I understand that there is a Federal regulation that had some problems with our getting proper credit in the State of New Jersey for this allocation of funds so that it's a much better system for the State to have it sent out in the Homestead Rebate checks and also to show credit individually but I do feel that in the long-range this Committee will have to address itself and hopefully for the curing of the Federal regulation that seems to be standing in our way. So I would only hope that this can be eliminated soon because there are a lot of people who I feel are being deprived of this exemption.

Now I am on the subject of ratio. I'm using Egg Harbor Township as an example. Egg Harbor Township has experienced a good, well maintained ratio since our total re-assessment in 1976. The ratios were as follows: 1976 - 110.35 that being the year of the re-assessment; 1977 - 103.59; 1978 - 101.95. We continued to increase our assessments based on many overall zoning amendments

thus increasing our tax base, including added assessments from \$208,842,800 in January of 1976 to \$231,008,400 in January of 1978.

We have just received the May 1978 State of New Jersey printout which indicates our ratio has dropped since last year to an 89 percent overall ratio. The sales in question have definitely shown an astronomical increase in market value since August of 1977, with what now indicates to us a drastic difference which cannot be made up.

I plead that some formula be created to assist the assessors in their current plight. The sales aid formula has not had any major revision since 1958.

Some formula is needed now or taxpayers of Egg Harbor Township, as well as the entire Atlantic County, will be paying higher county taxes than they should be with the original intent of the law.

PERSKIE. Any specific suggestions Dick in terms of a change?

SQUIRES. Well, unfortunately, as you and I have talked before there is in many cases where we would have to introduce some kind of a program here in Atlantic County that might not be registered throughout the entire State as being equal. However, I think that the casino referendum has definitely done a lot more than we in Atlantic County have been able to register up until just now with relationship to this program throughout assessment practices in Atlantic County. And I realize that you cannot create a formula for one municipality or one county over the other but somehow, somewhere, I think that maybe even the Page 8 formula could be instituted in some fashion to at least permit Atlantic County over a period of maybe two years to realize some benefit from what we really inherited as a result of the referendum that was approved in 1976 and I think that as assessors there is such a period of time that we just won't be able to reek a market because of speculation and things of this nature. The only thing sure of correcting and, of course, would be a total revaluation of the entire county in one given year. That's almost physically impossible and physically too expensive for many municipalities to face up to. But I do know that there was a lot of study about two years ago with the ratio program to a degree on different types of formulas which may have instituted a percentage appropriable to the ratio that maybe in this case of Atlantic County and possibly you may include Cape May County and Ocean County because this thing has spread a lot further than a lot of us in this room can realize because it's very simple that people are not afraid to drive 30 or 50 miles to work. Therefore, they could be living outside of Atlantic County and still coming to the benefits of Atlantic City from the casino referendum as well as hopefully their oil. That's all I would like to report at this point.

KARCHER. The problems that you raised with regards to ratio, isn't that a problem that is faced by everybody in Atlantic County? You have a problem where if you rely on sale studies, sale studies are statistical analysis of a very, very minor segment of the total. I would imagine that

for instance, how many line items do you have in Egg Harbor?

SQUIRES. Thirteen thousand plus.

KARCHER. And your sales study is based upon how many sales out of the 13,000.

SQUIRES. Well, we do generate I think most of the sales per month. Another municipality maybe Galloway Township as well as Egg Harbor Township because there is 66 square miles and the two corridors into Atlantic City do pass through our municipality, therefore, we are generating a lot of the speculative sales.

KARCHER. What formula? Five percent in your sales study.

SQUIRES. I would say a perfect example and especially where your full-time and maintaining assessments on an on-going annual basis -- maybe three percent or five percent at the most. But now we are looking at something that 101 point down to 89 are still dropping. Of course, the director's ratio will be programmed on October 1, in which there is no question in my mind that it's going to be somewhere in the area of 89. This has happened throughout Atlantic County maybe other assessors will tell you that too, but it's a lot more than normal especially when you are maintaining and doing it on a full-time basis. I agree that there have been part-time assessors who from time to time did nothing with their assessments for maybe six to eight years and then did a revaluation. But that's not the case in Egg Harbor Township nor is it the case in some other municipalities. It is an extreme eye-opening situation for Atlantic County at this time I feel. Thank you.

PERSKIE. Thank you Dick. Assemblyman Gormley is here and has indicated also that he is obliged to be elsewhere.

A S S E M B L Y M A N W I L L I A M L. G O R M L E Y. First of all, I have a problem that I am presenting, it's one that I haven't done the work on or it's one that I haven't really done the background on. It's the work of the Mayor from this county and a councilman from this county that have helped to bring this idea forward to me and it's a concept that we would like you to consider. I know from the brief time that I have been up in Trenton the easiest thing at one of these hearings is for somebody to come up front and say this is what should be done and without this the world won't succeed but obviously this is a total policy committee to look into what is the best of all of these proposals and I think this is something that should be considered. Obviously, the burden of this would place upon the taxpayers is incredible. Our advantages to this, of course, for example, I am going to be addressing the problem of county buildings that are located in certain municipalities. It does place a burden in that these are ratables that are lost in effect. But what I want to address is a particular category of county buildings. When I say particular category I'm talking about correctional facilities. I don't have the figures now, but I realize that if we were to say it would be in-lieu payments by the State for all county buildings the figure

quite obviously would be an astronomical one. However, I do believe in the concept and as you gentlemen do, I believe you do, because you have a situation where if you relieve the burden on the county tax you obviously relieve property tax. But I would like to have a foot-in-the-door concept. Now why did I pick correctional facilities. In my time in public office, I can't give you the explanation now, but I was raised in a correctional facility.

PERSKIE. His father was duly employed by the county as the sheriff.

GORMLEY. And I was raised in the jail. Anyway, the problem that you encounter is I have not yet seen a town or community demonstrate to either have a JINS shelter or a county jail or a county detention home located in their area. And yet these are the facilities I feel that create problems cost-wise for a municipality. I remember during my time at the jail that on numerous occasions the county jail would have complaints or whatever arising from incidents with the prisoners. The preliminary hearings or whatever would have to be tried at the expense of the local municipality in the local municipal court. You have a situation with Mayor Kuchova's town, Northfield, where they have the JINS shelter and you have more police calls for the JINS shelter than any other location in town. You have a situation with Councilman Mayes in his town of Egg Harbor where they have the detention facility where you obviously get a high number of calls. So the concept that we would like you to consider -- we realize you have to balance this off against in-lieu payments if you're really going to start -- but if you want to consider in-lieu payments that would relieve the property tax burden that is placed by the county tax, that you consider as a foot-in-the-door the approach to looking at the correctional facility. . Because other towns on occasion would claim jealousy because in-lieu payments were coming but as I said I have yet to see a town demonstrate in favor of a correctional facility. You might see a town with a library located or another facility or a social service facility that shall we say helps out certain members of the community, more respected members of the community that on occasion would be in these types of facilities. So this is the concept. I have both Councilman Mayes and Mayor Kuchova here and if there are any particulars on numbers I know they would be willing to help you. I know that in their particular communities the improved ratables in Councilman Mayes' town it's about \$1 million ratable that is lost -- it's a size of a piece of ground. And when you look at a facility like that you have to understand that a person building an expensive ratable most often is not going to build next to a correctional facility. So you freeze in effect of getting shall we say a better ratable in the neighborhood. Having lived in that neighborhood, I can attest to that. This is for your consideration and I haven't got very many figures, it's just a general concept, but they're here and if we could be of any further assistance we'll be happy to answer your questions.

PERKSIE. Ok. Let me ask one just to make sure that we clarify. Your're talking in terms of a concept where we would not only institute the in-lieu program but it would be a State funded program.

GORMLEY. It would be a State funded program so it would not come out of property taxes.

PERSKIE. I think you heard before and let me just get your reaction on one of the things that theoretically would be in jurisdiction of this Committee in terms of policy although I wouldn't involve State funding would be the enactment of legislation that would require either on a broad basis or on any programmatic basis like correctional facilities the institution of an in-lieu payment at the county level which would, for example, with respect to the JINS facility in Northfield or any other facility would require the county to make an in-lieu payment to the municipality which would although not involving State funding apportion the direct costs of that facility among the county's taxpayers rather than those of the municipality.

GORMLEY. My feeling on that is the JINS shelters are directly dictated by State statute. Indirectly, the county jails and the detention centers are a burden for the county. But all you are doing is shifting the property tax. I think the whole goal of a centralized fund in the State, of course, everybody is going to say now everything is supposed to come out of the income tax, well I'm not saying that this is the best proposal you might have one better but it is one to consider. If you are going to do it on the basis of decreasing property tax, as you gentlemen know you have been there for that debate much longer than I, the only basis that you can do it is through the State because you obviously don't have that central funding, you only have the property tax available on the county level. I'm trying to avoid using one property tax to...

PERSKIE. So what you're talking about really then, and I just wanted you to make the point clearly, was that you're really talking about a program that would accomplish two purposes. One would be to deal in an equitable way with the fact that some of the municipalities bear these burdens and some don't and the other is along the same path to reduce the property tax burden.

GORMLEY. In other words, initially when the problem was brought to me I initially thought county. And then I thought all we are doing is shifting property tax from one fund to another and that I feel it's a better goal to try to shift it in the other direction.

SENATOR WALTER E. FORAN. I would like to clarify something that you mentioned before. How many, for example, off the top of your head, how many people do you have incarcerated in your county institutions that could be attributable to the State. In other words, people pending trial, change of venue, and things like that. Do you have many people incarcerated in your county institutions that should maintenance costs should fall on the State?

GORMLEY. I wasn't quite clear on that. What I am talking about is when I said I don't mean State prisoners are being held or the case involving the Attorney General or a State grand jury indictment. The way it works out with the responsibility now, hopefully that will be changed in November with the county court system, the jail naturally, not by specific enactment, but the jail naturally befalls upon the particular municipality. That's when I said JINS is specifically

enumerated. The jail just by the interaction of the way the government is set up in the State falls upon the particular county.

FORAN. Well, one of the logical things of the State in one of these types of institutions would be to have the State take over the maintenance of the prisoners incarcerated there. Don't you agree?

GORMLEY. But the point is it still doesn't pass money to the municipality for a lost ratable. Do you mean for services rendered by the community?

FORAN. Yes.

GORMLEY. Well, I don't think it would be as good but it is an alternative. We'll take anything at this point. But the problem is, if you talk frankly about it, you are not going to have as good a development in an area around a jail. It doesn't attract the high ratables and is going to be more than just the payments for the actual services given. I think there is a greater affect upon a community...

FORAN. Do you think the State should get in possibly because of a location of a correctional facility in a given area because the real estate values are down and because the market value is not there for a turnover affecting the ratio, etc., that the last speaker was mentioning, do you think the State should get into something like that and pick up that difference in that line?

GORMLEY. It's similar in what I am saying but it is not the same thing.

FORAN. Are you talking strictly upon the basis that the building is there, the ratable is there and you people are paying for it down here and we are not -- we're not picking up that share. Is that what you are saying?

GORMLEY. That is what I am saying. Off the top of your head, yes, it does just service the rest of the county. As I said my thought process I first thought county but in order to relieve as I said the property burden it would be best...

FORAN. This is my last question Steve. Would you recommend then that possibly under the municipal revenue sharing or county revenue sharing out of the income tax budget, do you recommend something would be earmarked for this particular line item?

GORMLEY. Possibly, yes.

FORAN. Ok, thank you.

KARCHER. I always had one great difficulty with in-lieu payments and that's the search for some kind of objective standard or objective criteria by which to measure the alleged loss of ratables. How would you suggest, it seems to be a very speculative, and nebulous concept to say well, we have been impacted by the location of a JINS center and therefore the neighborhood within 500 feet have had that impact and they have had a negative impact with the reduction in the value, etc., etc. It seems to me extremely speculative and I'm looking for a suggestion...

GORMLEY. It is speculative with the exception of the fact, even looking in your county that you represent, certain facilities that are placed by the county or the State often demand it. But one thing that I have found at least in this county, whenever there is going to be the location of a correctional facility of any sort...

FORAN. I'll sell you Round Valley real cheap.

GORMLEY. That's why I picked this particular area. It's funny. When one city gets something and another city doesn't get it there's always that animosity. But I'll tell you, if the one town getting it says well, do you want the jail or do you want the shelter instead, I don't think you're going to get the animosity as you would with other in-lieu payments. That's why I picked this...

KARCHER. I agree. That's the standard by which to measure the damage done to that community. And Walter always tells me that Round Valley was going to have a big nuclear generating station there and they would have \$14 zillion come in if they just didn't have Round Valley.

GORMLEY. Well, for negotiating purposes, what I'm saying is to start with a straight in-lieu payment of what would be paid for the value of that facility and the ground and then we'll work down from there, because I know we'll work down from there. I do not have the particular formula. The only thing that I have is what the actual ratable would be.

FORAN. I think what your saying is that this Committee should in its deliberations possibly come up with some kind of impact on the rule of tax payments in most municipalities and counties...

GORMLEY. I would be quite surprised to find this go through on a straight ratable basis as if it was a private facility.

KARCHER. Isn't it more sensible to rather than to address yourselves to an in-lieu of ratable base to a services rendered concept -- you had x number of police calls, you had x number of fire calls, you had x number of water pumped...

GORMLEY. I'm not saying that that isn't better than the current situation but I still think the negative impact upon the community, and you say it's speculative the negative impact but as I said and the Senator mentioned he would be willing to give away I imagine it was one of your facilities Round Valley, that's usually the situation. So I think it's more than the regular speculative situation. I don't think that any town in the State has ever said that we want one of these facilities.

KARCHER. Find me an objective standard by which to measure that negative impact on the adjoining ratables and we'll pass a special resolution commending.

FORAN. I think honestly, Steve, the point that's in the prevail of this Committee to do something...

PERSKIE. Oh, I don't have any question that it's without our jurisdiction.

FORAN. We're getting a two piece meal -- you know, Ewing Township, New Brunswick, places like that.

GORMLEY. After six months, I can really understand what you're going through because everybody's idea sound good but you don't have the certain amount of money coming in.

PERSKIE. That's what I was just asking Gil, we dealt with that in 1974 when you still were in college or someplace...

GORMLEY. I was defending my country.

PERSKIE. Right. We dealt with that in 1974 with this kind of a concept in trying to define a Statewide program of in-lieu payments and to Gil's recollection which is consistent with mine is that we were dealing with several bills. One was a total State payment that is to say that we would compensate the municipalities for the loss in local purpose rate for all State facilities which is about \$16 million roughly, then to extend that program to certain county facilities is obviously a multiple of several times what that would be. So that when we look at it as you already know, we've got to look at it not only from the perspective of policy but we've also got to look at it from the perspective of where we're going to come up with it, in that case \$16 million or in this case \$24 million or whatever. But it's definitely within our jurisdiction and we will try to develop some kind of a policy that we could afford to do that would make some sense. Thank you.

GORMLEY. Thank you.

PERSKIE. Pinky Kravitz? For those of you who are not familiar with him he is a Public Information Officer with the Atlantic City school system in real life, but in better claims of fame or more visible claims to fame is as the long time proprietor of a call-in radio show for three hours every weekday night here in Atlantic City, makes him notwithstanding any politicians' claims to the contrary the most well known voice in Atlantic County.

SEYMOUR "PINKY" KRAVITZ. Thank you very much, Steve. I would like to thank you gentlemen for coming to Atlantic City. It's refreshing to see the change that's taking place in the Legislature relative to coming around and bringing your hearings to the people. This end of the State was devoid of such things for so many years. We led a battle several years ago against the Public Utility Commission to come out of their little shelter in Newark, they now come around the State, and you gentlemen are following this, and I think it's very healthy for those of us who don't have the opportunity to go to Trenton. When I first read last week, and I must say Steve, unfortunately, the press mislead me and I guess a lot of others in the purpose of your Committee being here today. I took it under the premise that you were here for anything relative to the tax and tax reform.

PERSKIE. We are. Technically, this Subcommittee is in charge of that portion of our study which is looking at property tax relief. But we found in our hearings throughout the State that the average citizen isn't particularly concerned with what our subcommittees are doing they want to speak on general questions of policy so while we are the Subcommittee on property tax relief we are taking testimony on any issue relating to State tax policy.

KRAVITZ. On that basis then when I first read this I brought it up on my show because over the 20 summers and going on 20 years that I'm doing my show, I guess taxation has been as relevant a problem for people as there has been in anything else. The questions have been thrown, the arguments had, what's right, what's wrong, what isn't right, what isn't wrong, relevant to this. So I threw it open. And I was quite disappointed and very unhappy that I had very little response. I kept berating the radio audience in saying to them you always gripe about taxes and here you have a chance. I said I realize that you can't come at 2:00 but I'll go as your spokesman, you give me your ideas and thoughts, and I will dispose of them hear to you. I was really very disappointed. A gentleman called me one night and he said, Pinky, it's nothing but a public relation gesture. He said what do I as a private citizen know as to what to do about the taxation. He said I feel that I am being taxed too much. The taxes are too high in every aspect of our work. We realize that better than a day or possibly two days of our employment go to pay for all of the taxes that we have to pay the Federal, the State and local. So he said it really doesn't make any sense to come to this Committee because what can I as an individual tell you gentlemen that's going to revise and help a better tax situation throughout the State of New Jersey. And I said what your saying is true because I don't have any answers, I can only tell you some of the complaints. I said but unless we tell the legislators what the complaints are, where the problems are, how can they address them? How can they know? The man said well Pinky they know because they face it themselves. But still on that basis I come to you because a couple of areas have come up consistently. One of them is misunderstood parts of your income tax and the area that has been the least effected is your tenant rebate portion. Gentlemen, you have got to do something about it. Number one, the poor tenant does not know whether or not they are entitled to a rebate. If the landlord is not magnanimous, and I don't care what the law says, the law may direct them to do this, but how many landlords have really done this for the poor tenant. And they hear us talk every year and say now don't forget get in your property tax rebate form, and when that date comes the State Treasurer and the rest of the people are very nice and they extend it and say you have another 60 days to get it in. So you keep hearing them telling us you're going to get \$190 average rebate for your home. So how about the poor person who lives in an apartment who is paying \$150, \$200 or \$300 a month rent. They call up and say well, what do we get. I said to be honest with you I don't know what you get. I don't know what the formula is, and I still don't know what the formula is, and I would venture to say

that most landlords do not know what the formula is then, of course, how is the average tenant to know. So I would urge you gentlemen to get in to this plain language and I think you have a bill that has now come before you that some of our legal people may not like but finally they're going to try to put things out in plain, understandable language so that I, being of average intelligence I believe, can understand it, because I don't know. And I would hope that the rebate for a tenant is put into a formula that does not require a mathematical genius so a person knows that if they pay \$150 and the tax rate as been dropped by x number of cents that it should figure out that I'm going to get a \$20 rebate or I'm going to have a \$20 credit for my rent. That is foremost out of all of those I think it's misunderstood as far as the property tax is concerned that would have to take the prime considerations. So I urge you to please address that.

PERSKIE. Would you, you heard me often enough on that subject to know how much I agree with you, would you feel that a system that didn't rely on enforcing the payments from the landlords but rather was a direct system between the tenants and the State such as the homestead is a direct payment from the State to the homeowner would be preferable, or would you think that we could do it still using the landlord as a middleman?

KRAVITZ. The only question I have on that is I think the cost would be astronomical. I think your cost would administer a direct payment to a tenant when you have to figure out for each particular apartment house, for each one of the tenants, for the tremendous differences in what they are paying, this apartment house, that apartment house, I think that your administrative costs for that would just be astronomical. I would believe and not having the knowledge or the background to be able to tell you, but just off the top of my head, I would believe it would have to go through the landlord with a tremendous amount of publicity, through newspapers, through radios, through television, to let the tenant know that they are entitled to this on such and such a date. Just like it came out that the Governor said on June or July 18th, we're going to send them out for the next ten days, everybody is going to get their check, if you don't get your check call this number and we will look into it. I would believe that if you made it so that every landlord must give to that tenant their rebate by x date and the tenants if they don't get it call this particular number so that we can then check with that landlord. I think this is the best way of doing it without any technical knowledge at all but it's the most equitable way.

PERSKIE. How about, and I'll tell you why I am asking you this in a minute, how about if we set up a system where instead of making a specific computation for each tenant in each building, and I agree with you the State hasn't got the remotest capacity to do that and anything like an acceptable cost, how about if we try to isolate some figure that would fairly represent as far as the tenants of the State were concerned that kind of a concept and put it in as a credit in either

through the income tax or some other system?

KRAVITZ. If you are taking a median in here just as you have done and you say you are going to get approximately \$190, Atlantic City is \$220 and Ventnor is \$188, if you're doing it that way, fine, but when you've got such a variance in each community from what people are paying, I don't see how you can do this.

PERSKIE. OK, one of the reasons I ask that is that some of the later testimony that we may hear today or have heard elsewhere, we have as a Legislature visited the responsibility of that administration that you correctly point out that the State cannot do. We have visited that without their consent on the local tax collectors and tax assessors of the State and we have heard from them consistently but for the honor of it all they would just assume not have the opportunity. So it's a matter really for us to come up with some system that we can all collectively afford and yet still works and doesn't bleed the system through administrative costs rather than putting out the benefit.

KRAVITZ. The other area that I would like to touch on is, gentlemen I'll just throw it out I don't agree with it but he asked me to bring it up, his feeling was that clothing should now be taken in under sales tax and the sales tax reduced by one percent. That was his and he asked me to express it. I don't agree because I think it's taking out of one hand and putting it in the other. But it does bring me to the sales tax which I think you gentlemen are aware is the most confiscatory of the taxes between the sales and the income tax and it's a battle that you gentlemen have fought until you were able to get an income tax in but the sales tax is a highly inequitable tax. It is a tax that it just is not fair. It is not even, the poor people pay a higher percentage than do those who can afford it but we hear that in every aspect of taxes. And it is something that I think that we've got to be honest and say well now that we have an income tax maybe we can redress and readdress the sales tax situation. We have the 5 percent sales tax in the State of New Jersey. It is inequitable. It hits the people at the wrong end the hardest. Unfortunately, those people don't realize it. Because they're the ones when you ask them the question that we fought this battle before you ever got into it, before we ever got into a sales tax, which would you rather have, a sales tax or income tax. Invariably, the general public in every poll that I ever ran, we would rather have the sales tax.

PERSKIE. Do you think that's because they pay a nickel at a time?

KRAVITZ. Absolutely. They don't realize that those pennies, and those nickel and dimes and quarters add up. But when you take the total and you can show them that you're spending \$100 a year out of your \$4,000 as opposed to \$40 a year out of your \$4,000, then it shows a figure. But nobody really wanted to take this because at that time there was the fight of which way to go. And the Governor at that time felt the sales tax could get through the Legislature, an income tax could not. And so you went for a sales tax originally. And when I say you the State. Then we

finally got the income tax. But now maybe it's the opportunity for you gentlemen to address that and say the income tax is going fairly well without too many complaints from people the way that it has been handled. Maybe we should readdress and let's see if we could drop our sales tax off a couple of percentage points and make up that difference with maybe a little heftiness, a little difference, in the spread as far as the income tax and to do that and to show the public what it's going to meet. And I know you're still going to have the complaints because the average poor person will still tell you that they would rather pay the few pennies at a time than have to pay that all at once. So I just threw that up for you gentlemen to take into consideration. And I would like to just summarize by saying that you have a tremendous responsibility because, yes, you will hear the expertise of people that come hear, the technicians, who can come and tell you from the assessor's viewpoint, the mayors who will come and tell you, but I can tell you as one representative, I guess, a lot of people who just have this facing them everyday. The tax revolution hit in California, I think you gentlemen are going to be pressed very hard by the people to pass the legislation that has been introduced to allow people to put up propositions in the State of New Jersey. I don't know what your feelings are, but I think you are definitely going to get that kind of pressure because the public is to a point that they want to have a say in the legislative body. And obviously they feel that they are not getting it. That your coming down here, you're giving us more of an opportunity for input to you which is great. But I think the public is to that point that if they can get 200,000 signatures or whatever the number is, they want to see this issue pressed in front of the public. And you know what has happened not only out in California but in other parts of the country. The feeling is is that the taxes are choking people. Yes, we have seen a slight property decrease in the State of New Jersey. However, the total tax situation is something that is getting to people that our dollars are not worth a tinker's damn. Not only in value but in what we have to spend for the upkeep of our government and the upkeep of what we do. So I thrust it upon your shoulders, you've got a heck of a job to do. I don't envy you and I hope you have the expertise in which you do it. We wish you well.

PERSKIE. Thank you. Pinky, one thing I wanted to ask you, you and I have talked about it before. The phenomenon that you experienced this past week in essentially being unable to engender and engender a lot of input through your show and I think for purposes of this record for my colleagues who are not familiar we can understand for the record that your show has, I don't know the statistics, but a phenomenal audience in the area. But your experience in doing that really isn't surprising historically considering the number of times that I and some of my colleagues have appeared on your show in another context and were unable to generate any substantially greater interest or enthusiasm in discussing the subjects even at the height of some of the controversy as you know. I wonder how that squares and your observation is consistent with mine with what we all

perceive to be the heightening taxpayer awareness.

KRAVITZ. OK, I think where it's coming is that people are going to start coming alive because they say that people can do something in California. The situation with taxes, they just don't really understand. And I think this man hit it on the head. They don't know what to say about it. They don't know what to say to, well tenants, this one woman called up and she said that she never go her tenant rebate, when do I get, how do I get it, and so forth. When you bring up the situation on taxes, outsiders say, I'm sick and tired of paying taxes. I think the average person realizes that we need the money but how you cut where and who you cut and how. So that the technology is so far above the average person they can't get into it. I can tell you that I feel a greater militancy in the people. I'm hearing from people now that I've never heard of before that are well educated in their presentation and are very strong in their feelings. I'm having much more input.

PERSKIE. But it's not substantive.

KRAVITS. It is substantive. It is substantive when it comes to a situation like taxes. When it comes to taxes they're lost, because they don't know what to say or how to do it. I feel a greater input from the rounder cross-section of people than I have ever had in my experience. And people are feeling much stronger and downing government much more so. You gentlemen are on the bottom of the totem pole when it comes to respectability. When it comes to you gentlemen, and I say I want to introduce you to an Assemblyman or a Senator people used to look in awe, but now they look and say "well whose pocket's he in, or what's he doing, or this kind of thing." You know you spent your day coming down here on a beautiful day where you could of been on the beach like I was, the ocean's great if you could go down and get it but you don't have that chance to do so. But you come down here and take a day and you do this but the people don't think too much about it.

FORAN. I wouldn't touch that line for \$35.

KARCHER. I just want to on the sales tax, we'll just talk about that for just a moment, Gil, do we have any hard figures on what the effective rate of the sales tax is paid by the New Jersey residents? How much money comes in from out-of-state?

PERSKIE. Sixteen percent of it comes in out-of-state.

KARCHER. So actually it's an effective rate of about 4¢ paid by the New Jersey residents.

PERSKIE. You don't know, for example, I don't think there are any statistics nor could there be, on whether the incidence of the sales tax on out-of-state residents by reason of the kinds of burdens that they're paying is comparable to what the State's residents...

KARCHER. No, no. But we do know, for instance, in the area that I represent, is that we have a massive, massive influx. Across the bridges from New York to come shopping it has generated a phenomenal amount of jobs in places like Woodbridge Center and Menlo Park and the sales tax, the competitive edge not having clothing tax and a number of other items is extremely beneficial

in that regard. Obviously, an elimination of lowering it overall, competitively we continue to get a second competitive edge against New York and against Pennsylvania. But I don't know if the sales tax is a monster people make it out to be.

J. GILBERT DEARDORFF. Staff Aide to Joint Committee on State Tax Policy. I think there may be an argument about the equity of a sales tax period. But if you examine the New Jersey sales tax in the light of almost every other sales tax in the country, regardless of the percentage, the New Jersey sales tax is far more equitable and visited far less upon the lower income people than is the case with most sales taxes because we do not tax fuel for home consumption. We do not tax clothing, we do not tax food except in a restaurant. The exemption for a low income family from the total income they have and that part of it that they pay sales tax on is very low.

KRAVITZ. Sales tax. Your making a comparison of the sales tax. And this whole sales tax to me is still inequitable. When you take the whole sales tax structure it hits the person a greater percentage that is paid for by the little person. And a total of taxable money, a total of monies they have, they're paying more than a guy who is making \$40,000, \$50,000 or \$60,000 a year as far as percentage wise. Now, that's what I'm talking about. I agree with you, I don't believe you should put it on clothing. I would not like to see you take away any of those exemptions that you now have. But I still believe that the whole situation is bad, certainly if you took away and knocked it down to 3 percent. It would be a heck of a think for you to go shop in Woodbridge, in Camden and every place else.

KARCHER. Let me suggest just one other thing. With broad philosophical problems citizen interest, I found that in years in public life that I have had that the real misunderstanding and I don't really by anyway want to be perjorative about the citizenry but what I find with more laws that people have some misunderstanding do not make the rational connection between the fact that of what they want and what they anxiously avail themselves of has to be paid for. For every one person I have, and, of course, maybe if I prodded them and asked them what they felt about taxes, I'm sure that nine out of ten will say that they are too high and you know I pay too much, but I only have one person out of ten who comes to volunteer to say taxes are too high. The other nine who come on their own initiative to talk to me want something, they want to be on the other end of it. They want a child to get a scholarship or they want a child admitted to a State home for retarded, they want their mother and father to get their Medicaid card or pharmacy card. Nine out of ten people who come to me come with wanting to spend money not to complain about taxes.

FORAN. This is very similar to the Proposition 13 in California. In California, they have built up a surplus of some \$5 billion. In New Jersey, with our caps, I think we're within \$15 million out of a \$4 billion budget. Now, you sit there and say to somebody, OK, I've been on the Appropriations Committee for nine years, they'll say fine, we want to cut the budget, and I

have tried to as a minority member. Then it comes down to the point, what do I cut? You tell me what you want to cut. Just like Alan said. What mental hospital do we close. Look at the problem we're having with road aid which I hope we are going to get into before this hearing is over today. What do you do? Do you shut down Ancora, do you shut down Greystone? You save \$16 million or \$17 million. But what do you do with the services if the people are using it, where do you transfer them to. You see, this is the problem.

KRAVITZ. But Senator during the period of time that you have been in the Legislature, and I don't know how many years but your name is familiar to me, in the number of years that you have been in the Legislature what have you seen in the growth of our State employment and the State activities?

FORAN. I cannot agree with you more...

PERSKIE. What, the State government?

KRAVITZ. Yes, let's put a lid as far as this total thing if it's drawing more people and getting more services, let's level ourselves up. We have put ourselves into so many different areas, look at the municipal government, the county government, we are getting so many more services and you people, forced by the public who have asked for these services, but it's a long story. The child is going to ask for as many things as he can get until papa stops it and says you're not getting anymore cookies you're going to have to do this on your own.

FORAN. I couldn't agree with you any more and this is one of the reasons why some people want, for example, the caps on municipal spending to be more elastic so that they can avail themselves of the mandated costs, insurance pensions and so forth. But a number of people in the Legislature won't listen to it, because they figure caps for their own salvation would drop because of the 5 percent graduated increase in budgets. But you asked the question earlier, I have been in the Legislature for almost two years and I have seen everything double and triple.

PERSKIE. You have also seen, however, and I think it should be pointed out because Walter for those ten years you have been on the Appropriations Committee, is I'm not and haven't been, in addition to having become the first State in the country prior to California to attempt by legislation to deal with that problem, the caps is one to mention, I think the analysis of what the Legislature's mood is on relaxing the caps is correct. I don't sense that we're going to have any easy time, and I'm not in favor of it, but I don't suggest that there's going to be anybody who is going to have an easy time to relax the caps. But it should be said for whatever is relevant that New Jersey has a record in this area that is frequently misunderstood. We are, for example, by measuring in the State employees' per capita by measuring State expenditures per capita, 49th and 47th respectively, among the 50 states. That doesn't mean that we ought to go and try to become 45th any sooner, the statistic is only relevant for comparative purposes. But it does indicate

I think some awareness on behalf of previous Legislatures as to the need to put some kind of a break on what's being done.

KRAVITZ. Thank you very much.

PERSKIE. Bernard Murphy is the collector of taxes in the Township of Egg Harbor and also you had a position at the county level.

B E R N A R D M. M U R P H Y. Past President of the Tax Collectors Association of New Jersey and I'm Chairman of the Grievance Committee of that Association. In addition, I am on the extension faculty at Rutgers University for the tenure courses of tax collectors.

PERSKIE. Have a seat sir. Again, anyone who is in the audience since I last announced it if you would like to have something to say, please come up and give us your name here at the front desk.

MURPHY. I want to thank the Committee for allowing me this privilege today. I would like my opening remarks to be addressed to Assembly Bill 470 in as much as it relates to the Office of the Tax Collector. Before the time in which the proposed budget proposed to the Commissioner of Education and the extended some 45 days from December 1 to January 15, and the final budget prepared by the school boards is extended to the second Tuesday of March from what was then the second Tuesday of January, or what is now the second Tuesday of January, my concern relates to the time for the people to become aware of what they owe in taxes and for the mortgage companies to prepare their escrow accounts for the proper pending of those taxes. The proposed legislation is designed where the tax collector sends out his tax bills by June 21, 40 days prior to the due date. The present bill provides for 60 days before the due date. That 60 days, many times, is too short for the servicing of tax bills by certain mortgage companies. So I would like consideration given to that particular area where the public is served under this legislation that is providing them with a tax bill and giving them ample time to prepare for payment.

PERSKIE. Assembly Bill 470.

MURPHY. Yes, A-470.

PERSKIE. Has it passed in the Assembly?

MURPHY. Yes.

KARCHER. I should mention that when we were in Woodbridge, the Tax Assessors Association appeared there and also commented on A-470.

MURPHY. I was present and heard the remarks that day Assemblyman Karcher, it was very well put. But I would like to make a presentation to this Committee. The Tax Collectors of the State of New Jersey served the State well in years past and they assumed increasing tax assigned to them by the Legislature and as a record of indicating the year 1977, the assignments of the unbudgeted State School Aid Refund Act, the Tenant Rebate Act, and the Homestead Rebate Act, were performed

in a professional manner. As a result of these additional tasks assigned by law, the tax collectors have found themselves hard pressed to accomplish these duties for the compensation granted by their governing bodies with a very limited clerical assistance granted within the municipal budgets under the framework of the caps law. Some of the municipalities probably are so unfamiliar with the statutory duties of the tax collector that it is doubtful that additional help would be granted to the tax office even if the cap law was not there. Within this past year, tax collectors have been removed from office, waiting without hearings, and some with hearing, of course, on charges, by their governing bodies. If a tax collector is removed from office without a hearing, that concerns our association. Tax collectors were escorted by a police officer from a municipal building on a Friday afternoon without a hearing, no defense, no charges served. Now under the enactment of Title 40A 40:46-8 was repealed. And 40:46-8, if you don't mind I'll just quote from that section of law, states that: "...it being the intent of this section to give every person against whom a charge or charges for any cause may be preferred, a fair trial upon said charge or charges, and every reasonable opportunity either in person or by counsel to make his defense, if any he has or chooses to make." When Title 40A was developed, the section of law known as 40A:9-161 was created, Removal of Officers and Employees; Procedure, and it states that, "In any municipality wherein Title 11 (Civil Service) of the Revised Statutes is not operative and unless otherwise provided by law, no officer or employee of such municipality who has tenure in office shall be removed from his office or position except upon written charges, signed by the person making such charges. The complaint shall be filed with the governing body of such municipality and a copy thereof shall be served upon the officer or employee so charged, with notice of a designated time and place for the hearing thereon. The officer or employee so charged and the governing body shall have the right to be represented by counsel and the power to subpoena witnesses and documentary evidence." The point being a non-tenure collector, municipal clerk, an official with a fixed term but not tenured can be removed. I don't like to say at the whim of a Mayor but evidently this was done before a governing body was met, but after the act was committed the governing body did meet and concurred on the action of the Mayor. Now, I don't mean to imply gentlemen, that as a result of the additional duty assigned by the enactment of the laws to support the Gross Income Tax Act it resulted in these acts being taken against tax collectors. But the combined duties imposed by the law plus those duties additionally assigned by governing bodies that are actually ignorant of statutory responsibilities of the tax collector did aid in creating the problem. So I make a specific request in two forms. One, to restore to all first term or non-tenured municipal employees the dignity of a fair trial, a fair hearing, and representation by counsel. Two, to consider in any legislation passed to alter or impose additional duties upon the tax collectors, specifically, the responsibilities that he has or she has under the present law, the conflict that may be

created with dates established under the present law and the proposed legislation, and, of course, to perform its other statutory duties. And that relates specifically to the unbudgeted State School Aid Act, May 1 was the deadline date for the tax collector to have those checks mailed. May 1 was the date upon which his second quarter of taxes became due. May 1 was the date upon which he began preparing his tax bills. Somewhere, I don't know where, but somewhere there was a fault. That date should of never of been in that law. So you can imagine some tax collector being asked to perform something about May the 1st by his governing body -- uptight, so to speak, as it is just about that time. Now gentlemen I wish to close my presentation with a quote from up-hand written and this opinion supporting a municipality who did discharge a tax collector after a hearing. It's a quote from a former Supreme Court, Hoboken Local #2 v. the City of Hoboken, Supreme Court Decision in 1945. This was written into an opinion not one month old: "It is a well set of rule that a person accepting a public office for a final salary is bound to perform the duties of the office for the salary. He cannot claim additional compensation for discharge of these duties even though the salary may be very inadequate with remuneration for the service. Nor does it alter the case that by subsequent statutes or ordinances his duties are increased and not his salary. His undertaking is to perform the duties of his office whatever they may be from time to time during his continuance in office for the compensation stipulated whether these duties are diminished or increased. Whenever he considers the compensation inadequate, he is at liberty to resign." And this has been a long with-standing law in New Jersey and it's filed in other jurisdictions as well and there's quite a few quotes. So gentlemen, I request your aid and assistance in overcoming a growing movement -- degrading the status of dedicated municipal employees. No other group of municipal officials handles the enormous sums of money flowing as a life blood to our community. They attend seminars, conferences, Rutgers' courses, most times at their own expense. They are a special breed of honest, hard working municipal officials. They deserve better treatment than not afforded by some municipalities. Thank you.

PERKSIE. Mr. Murphy, I want to point out that without in the slightest way of being facetious, I'm being perfectly serious with reference to the quote from the Supreme Court Opinion and your conclusions, that that applies with equal force, I certainly accept it on behalf of the tax collectors, it applies with equal force in certain other areas, and I refer specifically to the fact that, for example, in the ten years or nine years my colleague as the senior member of us here has been in the Legislature, I would venture to say that the number of days in a calendar year that he is now spending, is something in the neighborhood of three times what it was when he joined the Legislature and the salary has not changed. So just that we understand that we have something in common on that...

FORAN. I'm still trying to figure out on how to get the mileage coming down here from Hunterdon County.

PERSKIE. OK. Senator, do you have any questions for Mr. Murphy?

FORAN. No.

MURPHY. I would like to say gentlemen, that I am one of the very fortunate tax collectors in the State of New Jersey. I enjoy a very fine reputation and very good cooperation from my governing body, but I was speaking here today on behalf of the Tax Collectors of the Association that I represent.

PERSKIE. It should be noted, as I neglected to point out, but I think the record does indicate that Bernie has been a President of the Statewide Association and is presently still very active and involved with the State Association.

MURPHY. Thank you gentlemen.

PERSKIE. Commissioner Edmund Colanzi, is the Commissioner of the Department of Parks and Public Property in Atlantic City, and one of the five members of the governing body.

COMMISSIONER EDMUND COLANZI. Mr. Chairman and Members of the Committee, welcome to Atlantic City. Commissioner Roth will be here shortly to present a seven or eight point recommendation from the City Commission dealing with the 5 percent cap. But today I would like to discuss two points. It seems that on the State level, those committees don't seem to talk to each other and though each of their presentations may sound and appear to be fruitful and best for the citizenry, when you put them together they don't match. I, facetiously, turned to Senator Perskie last week that with a 5 percent cap as it is today and utilities getting increases as they are from similar State agencies that the Mayors of the 567 municipalities some year ago, shortly, will be the only employee of the municipality and all they will be doing is signing the bills for the utilities that are getting 170 percent and 17 percent and 20 percent. State arbitrators who find it be charged of the presentations being given to them and the needs of the inflation who are giving increases above the 5 percent cap are making it very difficult to live with in the 5 percent cap. So that if there is to be a 5 percent cap it may not be a bad idea to have it throughout the whole State for everything so that there would be a balance. Because right now you could put every municipality out of business and it's a long walk from here to Trenton for local people to complain. It's very difficult for a Commissioner and a Mayor to be heard in Trenton and there's at least an abundance of people before you ever find anybody and by the time you get there, they're either out for the day or out to lunch. And today I'm not being facetious. It's difficult for taxpayers to reach Trenton -- even county seats. They give to the municipal seats. Believe me, you can visit us at any Commission meeting and they give to us. Many times, in fact the last Commission meeting in good welfare the complaints lasted at least 45 minutes and

none were within the jurisdiction of the municipality and that's on tape. It just happened to be that the last meeting was like that. But again somewhere in the wisdom of your Committee, I would hope that somehow whatever the restrictions are on one agency are placed within all of them, so that all of the monies that come out of the municipal budget don't go to fixed mandated things that actually directly don't go back to the people. The next thing and the most important reason that I am here, and I believe it should be part of this meeting, is the method of assessing. I'm definitely opposed to the way it's done. I would hope that this Committee could have something done about it. Atlantic City may be affected, in the immediate future, more than some other cities in the State, that I recall some incidences that made national television out of New Jersey. You have a retiree. That person is on a fixed income, and for some reason that becomes a very lucrative neighborhood to other people or a neighborhood that other people would like to move in, and lo and behold because several people decide to buy properties at exorbitant fees in that neighborhood, the person on a fixed income loses their house. Because for some strange reason, their house becomes assessed at ten times more than it was before the new neighbors moved in. And therefore, the buyer of property is the value of what's going on and it's called true value. The poor person living in the house doesn't want to sell -- they can't sell. But their home could be increased and in this City it could go 20 to 30 times as much. I think that's totally unfair. And what I believe would really be unconstitutional, although I'm not an attorney, how in the assessment laws of the State of New Jersey, commercial properties are allowed to use income and residents are not. I think it's totally unfair. Close a hotel for three years -- you can get a reduction of taxes. Let somebody be unemployed for three years without any money coming into the house -- they can't get a reduction of taxes. There has to be something that will protect the resident, that's a senior citizen that's retired on a fixed income because of some physical reason not to be forced out of their neighborhood, and I believe that this Committee could help. I don't believe it should be something added doubling the senior citizen money because it only takes care of the one group. I think it should be thoroughly looked at. I believe if you're going to use the economic ability of a property for the commercial section than you should do it for the private section or eliminate both. I really think it's been unfair to people. Being very concerned about Atlantic City and the people that live here and the probability of them being allowed to remain because of the financial impact of the community, we can't have them rated in the same method as they have been rated in the past because if some amount of people decide to buy property, they increase the value to the rest of the community, I don't want to see the people forced out. Subsidized housing could take care of the poor. And subsidized housing eventually is a . . . of the State and Federal government and with the intent that we have here will be in Atlantic City and will be increased in Atlantic City. But it's the people that are out there that are not in subsidized housing, that are on

fixed incomes, or people who are the middle income group that may be forced out that concerns me. Somehow, I would like to see an equalization of methods of assessment and I think that it should come from your group and I think that you really would be doing something in favor of the people because it's a kind of thing that Pinky was talking about. They do not understand it that it hurts their pocketbooks and it could be the determination of whether they can live and reserve that they chose to live in all of their lives or have to move in on and it's something that you never wanted to do or they would of never been living there in the first place. Now for those of you who are not from the seashore, you can't imagine what it's like -- to wake up in the morning and know that at the end of the block there isn't water. You can only feel this if you've lived in a seashore resort all of your life and for some reason you're forced to go to another section of the country of the world and you walk for blocks and blocks and there was no end and there was no water. And I remember Mr. Grant saying one time that he wouldn't want an airport moved to another city, because the noise on those people they weren't used to it. It should stay where it's at because those people are used to the noise. But more emphatic than that, the noise of that ocean becomes a part of the human nature of the people at seashore resorts. And I believe that that is something that they are used to. I know I have experienced it myself when I was obligated by an uncle to leave here for a few years and I missed that water. I think that the people that are older should have the right to remain. I thank you on this particular issue for hearing me out.

PERSKIE. Ed, one of the things you said intrigues me because it's been something that the Legislature has been wrestling with for a long time and I think it goes directly to the heart of what you indicated. First, let me clear up the record for those who might be listening on the question of the use of the income approach. The Constitution requires that we tax property on the basis of its value and on that theory commercial property can be said to impart in any event or under certain circumstances to be measured in terms of its value by the income that it generates. Whereas residential property which typically unless you're renting out an apartment or something doesn't have an income as property is difficult to evaluate on that basis. But even accepting that distinction, you have asked us to try and deal with what is essentially the problem of rising property values, whether we use the income approach or another approach. Would you think that consistent with the kinds of things that you have been saying that it would make more sense or it would be more equitable if you will, to try to look at it from an overview and to say, OK, we have had a system in New Jersey for all of our adult lives that is primarily based on taxing property value in respect of the income or the employment status or the senior retirement status or whatever of people, and that it would make more sense to try to structure a system primarily based on those criteria on people in their retirement status or their income status or their disability status than it does on the value of their property?

COLANZI. I think that it should be looked into that way and I also believe that the economy of the individual based on the money that they are bringing into their households could certainly be looked into or can be looked into it should, as it is the value that a property has by the income that comes into that property which is one of the methods used in commercial assessment. Let me say this, I think the best form of tax there is is the income tax. In fact, the epitome of income tax would be one Federal tax and let the Federal government pay all of the bills. The only problem with that, I am not facetious here, is that when the people realize when they had a dollar salary their income tax would be 90¢, it would shock them to believe that they have been paying 94¢ all of those other years.

PERSKIE. There would be another problem...

COLANZI. Because a stamp would be 15¢, sales tax would be a nickel, gasoline would be 40¢ a gallon, because you know the famous joke about a hobo many years ago, he handed a bell-hop a nickel, and said here is a buck, the bell-hop said it's only a nickel, he said I won't tell Uncle Sam that I gave it to you and therefore you're coming out with the same amount of money.

PERSKIE. But if you did that even as a local official and we as State officials would have nothing to say about anything. Because if you put a 100 percent funding in one source you're going to have 100 percent control.

COLANZI. But that is the epitome of taxes because it would be the cheapest method you would use the least amount of employees, therefore, invariably, you save the taxpayers money. But something is going to have to be done. I remember about three years ago in the Cherry Hill area, a gentleman built a home for \$35,000, I believe was the figure, and they just took the home. And assuming on inflationary prices, he felt that he could afford that home. And I believe what happened to him in the general area, some people put up very large homes, and low and behold his home was now assessed for ten times the amount something he could not conceivably realize that was going to take place in a three year period and he lost his home. That's why I am here today, and that's why I am asking for you people to look in this direction because you might not end up making \$50,000 or \$100,000 a year but your next door neighbors might and they can afford this tax. I would like to see some protection for those people so that I am not asking for the elimination of income from commercial properties, but what I am asking for is the consideration of income by the homeowner and the residential property so they have half a shake to be able to enjoy that salt air and go by the other people who aren't used to the city.

PERSKIE. How about a system which would provide a limitation on a taxpayers property taxes which limitation would be good to his income? In other words to say, OK, taxpayer, you're going to pay your local property tax whatever it is, but the State is going to say, we're going to by means of systems of credits or whatever, we're going to say that your total property tax bill can-

not exceed x percent of your income.

COLANZI. I think that would be a solution that would at least be able to help to maintain their homes. But it's the same principle that you shouldn't pay more than 25 percent, you know, on x of your income, that doesn't always work. But something of that order at least would be a formula that someone will not be forced out of their homes.

PERSKIE. That system, and I'm going to give Senator Foran a shot in a second, that system that I have just mentioned which is known in the vernacular and, unfortunately, because it doesn't convey of what it's all about, it's called a circuit breaker. That system has been enacted in a couple of states. It was just passed by the Illinois Legislature and vetoed by the Governor and they're having right now an extensive political debate in Illinois over the use of that form of a system. It was proposed in New Jersey in 1974 but not enacted. Senator?

FORAN. Commissioner, when was the last time property was revaluated here in Atlantic City?

COLANZI. Somewhere in the 1960's. I believe I just joined the City as an employee, the appeals started to come through about 1964, so I believe it's around 1963.

FORAN. I'm just curious, because I was smiling when you were mentioning your problem here in Atlantic City, that just prior to the hearing Mr. Deardorff who is the tax expert of the Legislature, contrary to belief of the beautiful salt air in Atlantic City, I represent a township called Hopewell Township, where on revaluation property taxes went up almost 40 percent. And I was trying to figure out a way, possibly a constitutional way, I think this falls in light of what you have been talking about and what Steve was talking about, that where revaluation and reassessment occurs, let's put a cap on the growth of property taxes regardless of what the value of the property is and regardless of how far the tax rate drops. In other words, if you had a home that was valued at \$50,000 and you were paying \$1,000 taxes on it, the revaluation kicked your home up to \$100,000, the tax rate would drop to half that, but the bottom line is that your taxes go from \$1,000 almost \$2,000.

COLANZI. That's not totally true. What happens if a section of a community draws the desires of out-of-towners, and this is the segment of this...

FORAN. That's what I'm getting out. You're in a unique situation in Atlantic City because of the referendum, I can't argue that. The district that I represent, the western part of the State, is very fast growing. As a matter of fact my partner here just bought some property out there.

KARCHER. We were taxed on it too.

FORAN. The prices of homes are unbelievable. The point I'm trying to make is that I think that it's within the purview of this Committee, and I talked to Gil earlier before we started,

about the possibility of fitting on, not necessarily a circuit breaker, but a cap, for example, on the growth of property taxes regardless of whether the property goes and the tax rate tumbles. Because the bottom line is what you pay.

COLANZI. Do I have a preference between the two and not to conceive the Senator from Atlantic County because we are not always on the same side of the fence, I would rather see a 25 percent type of thing based on the income of the individual only because...

FORAN. ...property taxes go up 25 percent a year?

COLANZI. No, I'm saying take the income...

FORAN. Oh, OK.

COLANZI. That the property tax could not exceed above a certain percentage of that individual's salary, and for this reason. If one person would always be able to afford where their living, and it's clear, cut and dry for that individual, and in doing it that way you wouldn't have to worry if there was a shift in values or importance of neighborhoods to some outsiders, this person would at least have the right to stay. I think that in all due respect I would prefer that kind of a thing because I think it is simpler to institute and easier for someone to understand and again, we get back to something that Pinky had said, I think a lot of the people don't realize where they pay most of their bills or how, and a number of things that they complain about on the stretch is, is some things that they don't complain about. You know, it's just somewhat obvious. But the method that Senator Perskie suggested that kind of a thing is easy for them to calculate, I make \$100, I'm not supposed to pay more than \$25 a week in taxes or \$400 a year, whatever it be, and that's very simple and basic to them.

FORAN. How about the homestead exemption for senior citizens?

COLANZI. In a case like this, you can eliminate that because if a senior citizen is getting \$400 a month on Social Security, their taxes should not exceed \$100, and that's plain, cut and dry. You would only need the one formula for residences and you would be able to eliminate the low take to the other because you can keep increasing the senior citizens and they may not get an equal shot across the State -- it's \$168 now, let's just say we doubled it -- some of us in Hammonton, that's great for the senior citizen in Hammonton, it may not even begin to touch the needs of a senior citizen that lives on a beach front. But if you turnaround and do it on a percentage basis, based on the income that comes into that home, then it's plain, it's simple, it's not complex and it's an easy formula that is equitable to everyone across the State. Because then you don't care what the values of properties are, you don't care, you know, where they live in the State, there's not going to be an unbalance because of your sales. So I think that it's a very...

FORAN. I'm making the point of discussion is that I think you will find that most members of this Committee are aware of the problem, not just in Atlantic City but across the State,

that something has got to be done to make the recommendation. Thank you.

PERSKIE. Assemblyman?

KARCHER. I only want to say that I have had an on-going, long, dialogue with your good Senator about this and I'm waiting for him to say, Alan, you told me so. I'm going to tell him why he told me so, because I was not optimistic about the future of Atlantic City, but I told him that if it weren't successful, you were going to have all of things come back to haunt you. It wouldn't be so bad, if you could just isolate and localize the problem here, and say, well, we have a long unique provincial problem in Atlantic County which has been caused by a shift in the socioeconomic patterns due to casino gambling, but that's not the problem. The problem from the State's point of view is that we spend approximately \$2 billion a year, we distribute \$2 billion of the taxpayers money, all upon this house of cards for the equalization, and it's just nonsense, it's just absolutely crazy. There's no more shifting sand, or anything, it's a simple structure of \$2 billion that has no foundation. Nobody in the world, and I consider myself not an expert by any means, but I have yet to meet the person who is. I don't know of anybody in this whole State of New Jersey who knows anything about equalization and about assessments or how they should be done. And yet, we in the State of New Jersey take it upon ourselves to use that system for whatever it's worth, and I say it's worth nothing, to distribute \$2 billion worth of our money -- it's kind of insane. And what will happen, what I have told Steve, what will eventually happen, if the projection unless Atlantic City could somehow circuit breaks, what seems to be the projection, you're going to be in desperate trouble. You're going to wind up with no State aid at all, you're going to wind up with no school aid, you're going to wind up with having ratables at least projected ratables, unless ungodly with a 10 percent, an actual 10 percent sale.. Nine out of ten units in the town won't change hands. Only 10 percent of them will change hands. And yet you'll show that your aggregate of true values will be three times than what it was. Divide that into State school aid purposes, you'll wind up getting zero. You'll wind up paying the State money. How did you make out with your challenge on the basis that the referendum constituted a rezoning?

PERSKIE. The issue was settled without that particular resolution. However, and I see the tax assessor for the City here, would I be violating a confidence if I gave that figure you gave me last week. We have been advised, for example, to show you the settlement would be the Division of Taxation last year came out at eleven eighty point something percent and that's where it was settled. The May figure on the Director's distribution on the printout has us down in the forty area.

KARCHER. I won't say it that I told you so.

PERSKIE. I'll say everything, but, Alan.

COLANZI. Getting back again to Senator Perskie and what you're saying, equalization, you read law books and they'll tell you what the law says, but when you relate it to practicality it's very tough to balance you out of State. And I don't believe Atlantic City, unfortunately, is the only City that has changed in growth right now, the Senator mentioned some other areas. But at the same token, it's all the more reason why something on the order that Senator Perskie mentioned would be very healthy, because then we would take the individual household and they would be able to at least relate to themselves and whatever their income was and whatever they were able to earn they would have a household a roof over their heads that they could maintain, regardless of the new neighbors that may be moving in. I think you might resolve many other problems that way. And again, gentlemen, I thank you for the opportunity.

PERSKIE. Thank you, Commissioner. We want to have a gentleman who is here from Cape May County to testify. Mr. Clarke, are you here? Neil Clarke is the Engineer from Cape May County and I believe he is here as I understand it on behalf of the State's Engineers.

NEIL O. CLARKE. I want to thank the Committee for the opportunity to speak here this afternoon. I am the County Engineer for Cape May County, having served in that position for seven years. I am the immediate past president of the New Jersey State Association of County Engineers. During the past year I have served with a Task Force Committee made up of Engineering Representatives from private practice, municipal engineering organizations and county engineering organizations. The aim of the Task Force Committee is to do what we can to have State aid funds restored for the maintenance and construction of county and municipal roads and bridges. As you may or may not be aware, State funding programs for the previously mentioned activities on county and municipal roads ceased in 1974. No other funding source was made available to fill the void which was created by the elimination of State aid, other than increased property taxes. Prior to 1974, each county and municipality in New Jersey, received a certain amount of State funds each year, for road maintenance and construction, the amount was based on a formula which took into account population and road mileage. I will admit that for the smaller communities this amount was not very large but in some cases it served as "seed" money with the municipality normally budgeting funds which were combined with the State funds to allow a decent size project to be performed. The loss of State funds for these projects in many cases has meant a loss in incentive for the municipality to perform a much needed project. The loss of State funds which formerly could be counted on year after year coupled with the State caps law limiting budget increases to 5 percent has seriously curtailed the money available to perform the much needed maintenance and construction functions on municipal and county roads. As a result, the condition of these roads has become worse and worse with each passing year. Many county and municipal roads have deteriorated to such an extent they now represent a hazard to the public and cause untold damage to ve-

hicles. The pot holes that resulted from the past two severe winters have compounded the situation. I would like to point out that the total mileage of county and municipal roads is over 30,000 miles while the length of State highways is only slightly more than 2,000 miles.

In addition to the formula funds which were generally used for maintenance functions, there existed a State Aid Road System Program whereby the State funded 50 percent of the cost of projects on the State Aid Road System. The funding of this program was also eliminated in 1974. Most counties and municipalities are now only performing a fraction of the number of the projects they did in the years before 1974 when State Aid was available. Most of the projects being performed now are vital projects which must be performed while the remaining road system gradually deteriorates under the increased traffic and severe winters. There can be no denying that a workable system of State Aid is needed for the upkeep of our county and municipal roads. We are not looking for a one shot bond issue type of financing but an adequately funded on-going program. How this funding should be provided is a question I cannot answer, but I feel a larger share of highway user taxes should be provided to maintain roads and bridges instead of being diverted to finance other State programs. It is my understanding that State revenues from motor fuel taxes and motor vehicle registration is approximately 550 million dollars per year. In the 1978 State budget only 219 million dollars of these revenues went to the Department of Transportation and of the 219 million dollars it is estimated only one half was available for actual road construction. Studying these figures would indicate that the driving public in New Jersey is being short changed.

There are Federal Highway programs available, but only 9 percent of municipal roads qualify for financial assistance under the Federal Aid Programs.

The Task Force report which calls for \$143,000,000 per year for the maintenance and construction of county and municipal roads and bridges has been enthusiastically supported by county and municipal governments as well as many organizations in the private sector. The infusion of this money into road maintenance and construction work would also help in bolstering the sagging economy of the construction industry in New Jersey. Our roads represent a considerable investment of money, if we can't receive funds to maintain this investment the day will come when many roads will have to be completely reconstructed at a large expense, while they might be saved if they could now be properly maintained. It has been proved that it is more economical to maintain a road than to construct one.

The one request I would like to make is that the Joint Committee on State Tax Policy consider the needs I have mentioned and as have been outlined in the Task Force report and recommend to the proper officials that State Aid to municipalities and counties, for road and bridge maintenance and construction be reinstated, so that our roads can be put in good condition and some property tax relief obtained by New Jersey's citizens. Thank you for this consideration of this request.

PERSKIE. I notice in your report the Task Force suggests that the sum which apparently represents what you conclude to be necessary to Statewide basis is about \$143 million. Is that about right?

CLARKE. Those numbers were arrived at by other members of the Task Force Committee and myself but I would have to support those figures.

PERSKIE. You figure that \$143 million or approximately that figure a year, the State could discharge its responsibilities in that?

CLARKE. I would say yes.

PERSKIE. So the only question we then have to resolve is, well, actually we have two questions. One is, of course, where we're going to generate \$143 million, but I might point out to you and to the rest of the people, that we've been talking today about caps on local and county spending and school district spending. I might point out to you also that there is a cap on State spending and that, for example, we couldn't spend \$143 million additional on road aid without cutting approximately \$135 out of something else because we have our own cap as well.

CLARKE. It's a problem, I'll admit.

FORAN. At the Willingboro hearing, we had the Mayor of Wrightstown testify and I asked him a question about whether or not you people would buy or think about a partial dedication of gasoline tax for road aid. Not the full tax, not the full dedication but partial dedication of an amount of money to probably institute maybe \$10 million or \$15 million a year in municipal and county road aid.

CLARKE. I believe that would be accepted. We probably would take anything we could get. Maybe we're asking for the moon...

FORAN. Well, we have got to do something. And I understand that the Governor is, it's not official, of course, but I understand the Governor is going to try to do something about a road aid program next year. But when this was cut out, I come from an area that you need an automobile to buy a loaf of bread. And for the first time in history, our county is going to bonding to take care of road repair and bridges. And I think that the State of New Jersey is very remiss in the dropping of this State aid, and I have been very vocal about it right in the Governor's Chambers. And one way might be a partial dedication. Another way might be utilizing, for example, on a temporary basis the income generated from the interstate money now held in escrow by the Department of Transportation and utilizing some of that interest money. But if you take it from there just like Steve said, you're going to have to take it from someplace else.

CLARKE. Well the money was there before 1974, not \$143 million but...

FORAN. It was used to balance budgets in other ways. The money is not there today. But I'm saying if we had utilized say the investment power of the interstate money that's been ob-

ligated but hasn't been computed on the interstates, and utilize that money. Say get \$10 million. That \$10 million is already being used someplace else and if you take the \$10 million or \$20 million or whatever it is for a road aid program, divide it up in the old road formula, population, area and mileage the roads maintain, you sit there and take what you need of State funds, where would you, how would you replace the money that you're swinging around in this thing, because as I said we're what, \$12 or \$15 million of the caps now. And how do we do that. It's easy to say yes, I'm for it, I'm with you, but how do get another 120 legislators to go with that. And here you have seen that in spite of the caps, in spite of the so-called control of local spending, counties are going to bonding for the first time. Our county had never bonded before. We always, you know, pay as you grow. We're a small county like yourself. And to sit there and have to bond \$6 million to \$12 million for such a road repair and bridge repair and I think that it is assinine for the State not helping out. But this is a cry that we are going to continue to push in the Legislature. And I'm not alone in this...

CLARKE. Excuse me. The counties aren't quite as bad off as the municipalities are. The counties can get Federal aid for their highways, but only 9 percent of the municipal roads are eligible for Federal funds, and they're the ones that are really being hurt.

FORAN. We have had two severe winters, and there's not a street in the State that doesn't need help. And I don't care where we are, in Cape May or High Point.

PERSKIE. I might note that I have been corrected by the staff and they're absolutely correct that any monies that the State would appropriate through the State aid formula for highways to counties and municipalities would not be subject to the State's cap on spending. Our cap deals with State operation and the State aid programs are a separate fund. There's a limit on how much we can spend ourselves but we're not limited on what we can assist the counties and municipalities. Thank you, Mr. Clarke. Assemblyman Michael Matthews has joined us and is a member of the Assembly Taxation Committee.

A S S E M B L Y M A N M I C H A E L J. M A T T H E W S. I would like to hit it from two aspects, taxation and administration. Now, I don't have a prepared text, I'm going to hit a lot of subjects, feel free to ask me questions on each area. First, the taxation structure in New Jersey discourages corporations. As I have a bill in the Assembly and Senator Perskie has one in the Senate there is no investment credit similar to the Federal government. We also have no provisions for carry-backs or carry-forwards, and what this means is that if a corporation starts something and incurs a loss the first couple of years they have to eat that loss. They can't put it against future profits as you can with the Federal tax structure. Most corporations when they do incur some sort of a loss but with the State no matter how much of a loss you incur you must always pay at least a minimum of \$25 which is based upon your assets or your net worth. Some of the forms

that the State income tax, they send us this ungodly package of forms, and some of the information is superfluous. I mean it's good maybe for the first year but the State should have all of that information anyhow but they still send a little too much paperwork which mostly just goes into the trash can. There's really no incentives to incorporate in the State of New Jersey from a tax structure. Now, one piece of legislation that I have talked about and right now it has been in Mr. Glaser's hands for about six months, and to me it's a waste of money -- if a corporation incorporates say on the 25th of March, and usually most corporations or most businesses work on the fiscal year the last day of the month to the first day of the month. Now, they must file a return for that seven days and if they don't, they have to pay the \$25. And what has happened is that they finally caught up to about 1970, so now they're dunning all of these corporations and making them pay this \$25, which to me the paperwork, the time involved, has got to exceed \$25 worth of work. I mean it just doesn't make sense at all. What I propose is that when a corporation starts to do business that their first tax year will be one year plus those number of days to make out the remainder of the month. In the southern states, I think if you look at some of the tax laws of the southern states, you'll find that they have a lot of incentives for corporations. If there are some incentives for corporations I would like to know what they are in the State. Then we have the individual businesses which are not corporations or partnerships, in which they're in the same situation to where if they want to diversify, they may have a business, two or three separate businesses, they have partnerships, they can't offset the losses from the businesses to a regular income and things of this nature. And once again, you're discouraging people like this from going in and trying to make more money.

PERSKIE. Excuse me. On that one that's a matter of offsetting gains and losses from one operation against gains from another where you have a sole proprietorship.

MATTHEWS. Right. Let's say you have partnership income and you have a loss there you can't offset that against a business gain. Capital gains. I also have legislation with this. The State is taxing capital gains and I think it should be prorated on the basis upon the inception of the income tax. Especially, with senior citizens. They have had maybe property for 20 or 30 years. Now for various economic reasons or health reasons whatever, they're getting rid of this property and now they have to pay 2 percent on their entire gain which I think this should be prorated.

PERSKIE. Suggesting that we use as a basis for the determination of the tax the value of the property at the time of the adoption of the income tax.

MATTHEWS. No, not the value of the property, but the time in other words, if the gain is \$10,000 and they sold it July 1, 1978, and they had it for two years, 80 percent would be forgiven they would only pay 20 percent. Based upon a period of time, because I think they go back and try and evaluate the property.

PERSKIE. OK, so you take a portion of period that they held it before and after the income tax and use that.

MATTHEWS. That's right. And the same thing for installment of sales. That they made an installment of sale to sell property in 1970, or when they started an installment of sale of some sort, now they're going to pay money on that. Another one, this is personal property tax. Since that has gone out with the income tax that still those businesses that paid before must still pay. I think a figure to pull out of the air, that anyone who pays less than \$100 for business personal property tax should not pay. Because, once again, we're talking about offsetting paperwork. They've got to send these forms in continually, and some of them pay maybe \$6.86 or something like that and they have to hire accountants to figure all of this stuff out for them because they really don't want to know. Sales tax. Sales tax, once again, I think the State would lose a lot of money and it's very confusing as to what's a capital improvement and what's a repair. A lot of people are getting away with murder on that and other people are paying through their nose because people just do not understand that because it is kind of confusing to people. And then one of the sticky ones is the rebate checks. Now, you know last year there was two rebate checks a year. Now, they cut it down to one rebate check a year. And I understand that the reason for the rebate checks is that if it was a tax credit or something like that it would hurt our revenue sharing money.

FORAN. It shows tax effort to the Federal government and I think it amounts to about \$16 million of Federal aid to the State.

MATTHEWS. But there should be some movement by the State government to try and change since we may have a unique situation in the 50 states because I'm sure that is a large expenditure because money is crossing hands just about, or last year was anyhow, people were sending their income tax one way and getting their rebate check the other way.

PERSKIE. We did at the time, it was prior to the time that you took office, but we did at the time this problem was on earth, adopt I believe in both houses a resolution calling upon the Congress to take the appropriate action to allow us to credit the rebate against the income tax without the loss of the Federal revenue sharing. And to the best of my knowledge to date they have not done anything. But the fact is is that the Legislature did as a body call upon the Congress to do just exactly that.

MATTHEWS. And now, I would like to go in the administration. And I'll throw in some true stories. Right now, and I was a co-sponsor on one piece of legislation with the income tax, at least as to alleviate to where our businesses do not have to send in their income tax every month. Right now we have the income, looking at it from a businessman's standpoint, we have the income tax due on the 15th of the month, which all businesses assuming they have over \$75 liability must

send in. Then on the 20th of the month, we have the sales tax, that must be sent in on the 20th. And then the last day the third quarter or the fourth day the fourth quarter, usually 27-B which is the unemployment compensation form is done. If you don't submit these pieces of paper, even though you have no liabilities, you're going to incur a fine of some sort. I would like to see number 1, the forms be consolidated and I would like to see the departments be consolidated -- save some manpower, save some stamps, save some paper. And this story, this happened the other day I couldn't believe it, someone came to me, I'm an accountant by the way, but a client came to me and he hadn't filled in any forms for years. This included Federal forms, so he was just not aware of what had to be filled in. So I was talking to a person from the State trying to work out all of the details. And he said, well, the sales tax is this and this and this and the income tax is this, business personal tax, and I said what about the UC-27-B, he said, oh, that's not our department -- he said we don't have anything to do with that. Now, this doesn't make sense. Because now what am I supposed to do. Now, am I supposed to call up John Horn's office and say I have a guy who hasn't paid. So it is a problem. And also coming along with this is that when you're going to call up someone, who do you call. You know, if you want to talk about a sales tax problem in this area you call up Vineland. If you want to talk about an unemployment problem you call up Pleasantville. And sometimes you have to call up Trenton to get an answer.

FORAN. I would call Mr. Glaser if I were you.

MATTHEWS. I do now. I get a lot of problems solved that way. But to me there ought to be some kind of centralization. Some kind of regionalization of State offices to where someone can call without a long phone bill. Because if there's something you want to talk about, they give phone numbers. And if you have ever tried to call some of these toll free numbers and not toll free numbers, they're just constantly busy and you can't get through. There has got to be some kind of an effort to consolidate some of these things. Regionalize an office, consolidate the forms, it would make it a lot easier. Because right now it's very discouraging for business people. Especially, small businesses. Even at my rates they can't afford to hire me. Now, I'm going to talk about the auditors. There should be some better guidelines about how the auditors do business on the State. I case a point last year that some auditors spent too many weeks in their client's office and too many weeks in my office. And then when I thought that I had all of his questions worked up to his satisfaction, answered all of his questions, he sends a statement to my client which was a surprise to my client and a surprise to me. Because he didn't discuss any of this stuff with me. I thought everything was answered. Found the guy to be extremely obnoxious and he even told the client certain times, he said don't blame me, blame the legislators for doing all of this. That was his cop-out. I was not elected at the time but I was trying. And I didn't take that too kindly. Then I called his boss in, and his boss was equally obnoxious, but when

they sat in my office we knocked off \$4,000 like that because it was completely, just like the Senator said before asinine, it just didn't make any sense at all, and I thought this was cleared up. And then part of the things that he charged the client for were the client would get a bill and the bill would say \$21, a statement, he said, well you didn't pay any sales tax on that. I said, well sure we did it was probably \$20 plus \$1. Well, the statement doesn't say that. For every statement you get if you owe money, and you get a statement in the mail, it's not going to break down the sales tax everytime you do it. It's going to break it down on your invoice if you have it. So then it comes to how many of these things do we fight. And it gets to a point where there's too much time involved then you start looking at at what point you're going to start losing money. And the client today, says I'll pay the extra \$200 or \$300 whatever it costs instead fighting all of this stuff. Now, also in the same situation, the majority of the monies owed, where because going back to the sales tax, that was a misunderstanding. The client was he certainly collected all of his sales tax and submitted all of the sales tax to the State but since there was a question of capital improvements the client did not pay sales tax for the stuff he bought. And whatever he didn't pay sales tax for he charged the customers so the State didn't lose a dime. In fact, they probably got more money. Yet, the way it was written he had to go back and anything that he bought that he didn't pay sales tax for, that he had to pay the sales tax, and the only way that the money that the State did get could be refunded was that each person who paid the tax had to write a letter to the State. There is definitely a problem there. The income tax. I give another case with the income tax. Some client sent income tax in, it was our office's fault, they didn't check out whether the person was married, single, or whatever. So anyhow, since the box was not checked and the guy had a fistful of kids and everything else and had his wife's name down there, they assumed single. And they said we don't owe you \$50 you owe us \$35. It took about three months to straighten out that mess. Letters going back and forth. And also these things are starting to come now, too -- reconciliations of income tax, with their W-4's, which is another form. After you send them a statement each month they want a reconciliation at the end of the year for the same information that you sent them for every month. Something has got to be changed there. They've got to evaluate how many of these they're sending out. Because everyone that they have sent that I have received are in error. Everyone of them were wrong.

PERSKIE. Were they all on the computer?

MATTHEWS. I would have to assume that they were on the computer. Like this one they said that the client never paid a dime, which is not true. Because we make out the checks every month, then they get sent in. So I just wrote them back and said that your records are messed up look at them again.

PERSKIE. You might note that we've had a good bit of testimony around the State with

reference to the number and the complexity of the forms. It would appear that we're collecting some good testimony with reference to the general nature of consolidating and simplifying the various forms that the State uses.

MATTHEWS. The answer that I get back, just trying to sum this up, and then answer any questions, but a lot of things I proposed by legislation, the reason that it's not enacted upon, because the legislation is good, right Gil, but it's that the State would lose money. And granted in some cases the State would lose money. But there's two things you have got to be concerned with. One is the fairness of the tax. And secondly, is that sometimes if you make some incentive you're going to make more money. A case in point, I can point to the casinos themselves. Commissioner Merck is concerned about Resorts being a monopoly. But at the same time, if you cut down the tables, then you're cutting down 7½ percent to the State for the corporation tax, you're cutting down 8 percent to the senior citizens, you're going to possibly put more people on unemployment and you're going to hurt the whole tax structure. And with casino gambling, these guys would take the loss because they can see big profits. But how about other corporations that are not going to incur the kind of loss that Resorts or anyone else is going to take. And these are the people that I'm concerned about. We're going to have enough casinos in this town. I think that in some point in time we have to look at the benefits of the State. I share anyone's concern about anyone being a monopoly. But that's a temporary situation.

PERSKIE. Thank you sir. As I have indicated we have had some good testimony and yours is helpful also specifically on the consolidating of the forms. I hope that the Committee will be in a position to recommend some specific administrative action and maybe legislation to the division.

DOROTHY L. MONTAG. Tax Assessor for the Township of Galloway. I respectfully submit the following comments for consideration by you and your Committee for future legislation.

Homestead Rebate

The initial filing of the Homestead Rebate created very good public relations between the property owner and the tax assessor as a result of the assistance provided by the assessor in completing applications. However, this State program has placed a tremendous burden on the assessor for which no additional assistance nor funds have been forthcoming from either the State or municipality. The present review of the printout for the 1979 Homestead Rebate mailing must be accomplished by September 1 despite the fact that all 1978 applications have not been processed and regardless of the assessor's responsibility to prepare for appeals and complete added assessments at this time.

No doubt this issue already has been acclaimed so I would recommend legislation that would

relieve not only the tax assessor, but more important, the claimant. It appears to be an undue hardship and an unnecessary requirement to have the property owner file an application for the Homestead Rebate each year when there has been no change in the status of the applicant or property. Each year the assessor can report changes to the Division of Taxation and process new applications where warranted.

Faulkner Act and the Tax Assessor's Term of Office

When a municipality changes to a Faulkner Act form of government, some existing offices are abolished and the terms of some elected or appointed officials cease under N.J.S.A. 40:69A-207, and new appointments are made. To conform with N.J.S.A. 54:1-35.21 which specifies provisions for tenure of assessors, legislation is needed to include the office of tax assessor as an exception to the laws covering the adoption of optional municipal charter plans where said office is abolished and when recreated, new appointments are made.

Cap Law

As a result of understaffing and lack of adequate funds in the municipal tax assessor's office, it is difficult for an assessor to update a municipality's assessments each year as provided by law. Therefore, it is often necessary to institute periodic reassessments or revaluations. I recommend that the costs of reassessments or revaluations be an exception to the cap law so that this necessary project which is especially vital now because of the inflationary trend, be accomplished.

Chapter 123

Also, in view of the increased activity and rise in property values, the use of the one-year study compiled by the Director of the Division of Taxation for tax appeals where discrimination is alleged is a hardship for the tax assessor. Since it is the two-year Director's ratio that is used for school aid distribution and county tax apportionment, it seems reasonable that in Chapter 123, this same two-year ratio should be utilized and legislation submitted to make this change in Chapter 123.

Sales Ratio Study

In respect to the Director's ratio study, there are many sales which because of points included in the sales price on F.H.A. transactions, corporation sales for appraisal purposes, or sales which are not true arm's length transactions and yet can not be considered within the non-usable list prescribed by the Local Property Tax Branch, legislation is needed to discount the extreme high and extreme low ratios so that a "mean" is determined for the purpose of this study. This may be an administrative problem but since such recommendations have not been considered in the past, request for legislation is being made now.

Recorded Deeds of Easement

N.J.S.A. 54:4-31 which requires the county clerk to send the tax assessor an abstract of deed or information contained in such instrument of conveyance does not provide for the same pro-

cedure to be given deeds of easement. While deeds of easement, do not transfer title, such transactions do effect value and therefore, should be reflected in the assessment of the parcel concerned. Furthermore, the tax map should be revised to indicate such easements. Legislation is needed to require the county clerk to submit abstracts of deeds of easement to the assessor. The fee could be adjusted to provide for this service without causing a hardship of the county clerk's budget.

100 Percent Exemption for Permanently Disabled Veterans

There is an increasing number of permanently disabled veterans who qualify for 100 percent exemption of real property taxation for their residences since statement from the Veterans Administration certifying said service connected disability is acceptable proof of qualification. In the past five years, the Township of Galloway has eight approved applications. Legislation is needed for the State to pick up the taxes lost by these ratables being exempted either in the same manner as the State reimburses the municipalities for veteran and senior citizen deductions or as Assembly Bill 930, 1976, provided for payments in lieu of taxes on State owned properties.

Woodland and The Farmland Assessment Act of 1964

The Farmland Assessment Act of 1964 should be amended to allow reduced assessments on woodland used in conjunction with or as marginal benefit to a farm. Land speculators are following a minimal requirement of income to qualify for the reduced assessments under the act with no consideration of true forest preservation. These lost ratables produce a tax burden on the remaining taxpayers of a municipality. Woodland not associated to a farm should be under a separate act with strict conservation regulations.

I would be pleased to offer any additional information needed in regard to these matters. Please be advised that the officers of the Association of Municipal Assessors of New Jersey are anxious to meet with your Committee to offer information that would facilitate future legislation.

Thank you for coming into Atlantic City for this hearing and for the opportunity to provide you with my comments.

PERSKIE. Referring back to the Sales Ratio Study, can't that be handled through the assessors use of the...

MONTAG. Non-usable sales.

PERSKIE. Yes.

MONTAG. There is really no category for something that you are suspicious that it's non-usable but cannot prove that there's a reason. For instance now our FHA sales have points and that affects and we have a court case that says the FHA case must be considered as usable.

KARCHER. Exotic financing must be included. There is an Appellate Division decision now that says that any sale for no other reason than except that it would distort the ratio can be excluded, whatever that means.

MONTAG. I'm not aware of that. That may assist us. I'm sorry that I missed part of the meeting, I had an administrative problem where I just received 44 appeals.

PERSKIE. Thank you, before you leave, how does your 44 appeals compare with prior years experience.

MONTAG. These 44 that were filed three years ago that I won at the county level and lost at the State level, they're wetlands. I am capable of dealing with restrictions that the State puts on us assessors or on our property but I am having a difficult time living with the judges' decisions.

PERSKIE. Mr. Kondratow I believe is associated with or the head of Atlantic City Taxpayers or Civic Association.

J O H N L. K O N D R A T O W. Number one gentlemen I'm sitting here and I must object to your method of who is to speak and when. I have taken time out from my business to be here. My business is just as important as the other public employees that you have called and all of our Assemblyman, legislators and what have you. I do not think this is fair to the taxpayers who have taken their time out from their businesses or jobs to be here and have to sit here and then somebody comes in an hour and a half later and gets up to speak before them. As the duly elected President of the Taxpayers Union of Atlantic City, I have several questions of which I request a response. I have written several letters to you Senator Perskie on issues that are of utmost importance to the taxpayers of Atlantic City. Some of these letters were sent to you and other State and Federal legislators several months ago. While I did receive answers from our Federal legislators, to date I have not received any reply or even an acknowledgement from you or any of the other State legislators. At this meeting, in which taxpayer input was requested, is our input going to be treated the same as the letters I have sent to you?

PERSKIE. OK, let's answer that one first. First place, as I have already indicated the input that you are making today is going to be reduced to a transcript in the form that you see here on the table and circulated to the members of the Committee for their perusal. With respect to communications to me, frankly the only communications that I recall at this point are copies of letters that I saw that you've sent to other people, which I in at least one instance recall. I do not recall any other correspondence from your office and if you would be good enough after the hearing to give me copies of whatever letters that you say you sent directly to me, I will be glad to respond.

KONDRATOW. Among the many things that are bothering the taxpayers of Atlantic City is the legal right of the Atlantic County Sewerage Authority to charge the taxpayers of Atlantic City over 50 percent of the cost of the operation of the Sewerage Authority.

PERSKIE. Mr. Kondratow, this hearing is scheduled to hear testimony and input with respect to questions of State tax policy.

KONDRATOW. I'm getting to that point if you let me finish. Now in reality, the Atlantic City users only comprise 29 percent of the users of this sewer system. After pleading my case to the Public Utility Commission at a meeting in this very room, I was informed by the Public Utility Commission that it does not have any jurisdiction over the Atlantic County Sewerage Authority. Surely, the State must have some control over this sewerage authority, as the State grants to this authority amounted to \$10,238,000.

PERSKIE. Mr. Kondratow, I'm going to tell you again because we have a number of people here that want to be heard and I want to hear what you have to say with reference to any issue that is related to State tax policy. The Atlantic County Sewerage Authority, the Atlantic City Sewer Company and any of their related problems are not related to State tax policy and are substantially beyond the jurisdiction of this Committee.

KONDRATOW. All of you may be under the impression that due to the 5 percent cap, now is this in order.

PERSKIE. Anything related to the 5 percent cap is very much in order.

KONDRATOW. All of you may be under the impression that due to the 5 percent cap the taxpayers of New Jersey are satisfied and are willing to accept this 5 percent cap as an answer to property tax relief. Nothing could be further from the truth as many attempts have been made to waive the 5 percent caps and many more attempts will be made until some succeed. And a 5 percent cap will be of no use. The 5 percent cap is the only thing that the taxpayers now have in their favor and must not be toyed with under any circumstances. Another item disturbing the taxpayers is the way the taxpayers were betrayed by a lame duck Legislature which wanted to repeal a State income tax temporary status so that would not self-destruct as had been promised before the voters went to the polls. Not only have the taxpayers been betrayed but every worker in the State who voted for what they were told was only a temporary tax that would self-destruct in one year. Taxpayer revolt is growing in this State. And even if some of our legislators are attempting to bury their heads in the sand, this revolt is real and will not disappear until honest efforts are made to roll back taxes. The taxpayers are the backbone of our nation. Are there any questions?

PERSKIE. Thank you, Mr. Kondratow, I appreciate your comments.

KONDRATOW. Thank you.

PERSKIE. Mrs. Cramer?

KATHERINE CRAMER. My name is Katherine Cramer and I am President of the Taxpayers Emergency Association for Relief otherwise known as (T.E.A.R.S.). The "Power to Tax is the Power to Destroy." The time has come to limit this power. TEARS recommends a limit of 3 percent on property taxes. It may be shocking, but it is realistic. The need for this limit is pressing.

Real estate cannot stand high tax rates which have been imposed or threatened. The State should stop its dictation of "mandated expenditures" by local governments, which cause their budgets to exceed the 3 percent limit. Everyone knows that high real estate taxes reduces the value of property, unless the value is simultaneously raised by unusual temporary causes, such as a business boom, acute housing shortage, and our present casino gaming. The malevolent effect of high property taxes is not evident on business real estate. A 3 percent limit on property tax would change the entire State's economy. The building boom will be instant, more jobs, and more spendable dollars and everyone will benefit. The 3 percent limit on property tax will curb and reduce political patronage, and nepotism. It will give government back to the people.

Let's keep the income tax and the sales tax. Rather than the homestead rebate, the 3 percent limit would be more advantageous and fair to the taxpayers, for instance. A home assessed at \$15,000. Taxes at present approximately \$1,100. Homestead rebate \$275, will result in an additional savings of \$375, and the State will save the cost of administering the homestead abatement and curb the political patronage.

All State programs should be re-evaluated one year before its expiration by an impartial commission (bipartisan). If the program is beneficial to the citizens of the State, the program should be continued, otherwise the program should be phased out.

We strongly urge you to recommend a limit of 3 percent. The need is now, and urgently needed. Thank you.

PERSKIE. Thank you. Mrs. Cramer, I wonder in your selection of the figure of 3 percent whether you came to that figure with the knowledge that that is approximately the Statewide average of property assessments now.

CRAMER. I wasn't sure of that.

PERSKIE. I know it's, of course, substantially higher than Atlantic City, it's over twice that. But the fact is is that Statewide if you add up all of the property and all of the taxes and the tax rates and what not, it comes out to roughly around 3 percent.

CRAMER. Right. So then it wouldn't be a big problem to take care of the 3 percent limit Statewide. And listening to so many of these presentations, I feel that the 3 percent limit would cover a great many of the problems that have been presented here today, particularly the rebatement. I personally haven't looked into rebatement plans.

PERSKIE. Excuse me, which rebatement is that?

CRAMER. The homestead rebate. In questioning some of the people, taxpayers rather, last night, many of them don't know how they arrived at the various amounts that they received. One person was \$200, another \$275, another \$300 and another \$150.

PERSKIE. Nobody's \$300.

CRAMER. Well, close to \$300, it was \$290 something.

PERSKIE. Oh, with the senior citizen, it might.

CRAMER. And I couldn't figure out how you arrive, and I don't believe the majority of the people in the State of New Jersey can figure it out.

PERSKIE. Well, that question can relatively, simply be answered. The figure differs from municipality to municipality but within a municipality it's basically the same figure. The figure is a formula, I admit it's not easy to calculate for the average citizen or for anybody who doesn't have access to all of the information, it's not a matter of intelligence, it's a matter of access to information. But it's based on the tax rate in effect in that community on, with apologies to my colleague, an equalized basis, with a home that's assessed at least, I think the full figure is \$15,000. In other words, every home that's assessed at at least \$15,000 gets a full rebate. The amount of the rebate is identical. The amount in each municipality is determined by application of a formula that starts off with the tax rate in that municipality. The higher the tax rate the higher the rebate. And senior citizens get an extra \$50 on top of that. So that for example, in Atlantic City, I believe the figure for this year was approximately \$235 and the senior citizen would of had \$50 more for approximately \$285. In Margate, for example, to pick one that I am familiar with, it was \$186 with the senior citizen of \$50 would of meant a total of \$236.

CRAMER. What I'm trying to bring out, how many of the taxpayers know these facts? How many of them question whether they are getting their full amounts? How many of them have the nerve to even make the question to their legislators or to anyone in administration?

PERSKIE. I don't know how many have the nerve, I know that the information is available to anyone who wants to ask for it, of course, you might have heard Mr. Kravitz earlier...

CRAMER. I heard him and I agree with him. Because, and then again, the tenants. The majority of tenants do not get theirs. Now, personally, I think I get a check for \$24 every three months and my rent is close to \$600 a month. I don't know how he evaluates.

PERSKIE. The tenant rebate which is a different program and the formula for which is substantially different and much less adequate in my judgment, in any event, that information as to how that is computed is available from the tax collector in the municipality who has the obligation to promulgate that figure and the fact that it must be posted in the building.

CRAMER. I know that but how many people know that. Wouldn't this be more simplified. And then when Pinky Kravitz mentioned the fact that could the rebates be sent to the tenant which is another impractical high cost of administration. Then again, how about the tenants that keep moving. You have tenants here in Atlantic City that stay a month here and two months here and three months here, the State would go crazy trying to locate them and to evaluate their refunds. And I feel that a 3 percent Statewide tax on property will be a big incentive for businesses to come into the

State. And also, for people to maintain their properties we would have less abandoned properties. And there would be so many more incentives on every degree. In 1971, I believe, I went before the State Tax Policy Commission and then recommended a 4 percent tax but nothing was ever done about it I don't know whether it was ever considered.

PERSKIE. Well, the State Tax Policy Committee recommended in a major program originally released in January of 1972, a package that ultimately encompassed some 65 pieces of legislation. The three major elements of which were the enactment of a certain kind of an income tax, the enactment of certain sales tax changes and thirdly, and for your purpose most relevantly I guess, the enactment of a broad based Statewide property tax at a figure in that proposal which was \$1.00. That was the conclusion of that Committee that you testified before in 1971. The proposal was presented to the Legislature as I said in some 65 pieces of legislation of which they were the three cornerstones, the only one that ever came to a vote was that on the income tax and it was defeated I think 21 to 50 something and the rest of the bills were never voted.

CRAMER. Also, on the cap. Last year we went through a crucial situation at part tax time whereby the waiver was requested by Atlantic City and many others. Of course, through some good maneuvering of our John Laezza of the Local Government Services or whoever was responsible the cap was not lifted. I mean this is one position that the taxpayers feel is their only safety in giving you the income tax by securing a cap on spending. And I believe within a short time the cities can live on a 3 percent property tax in-lieu of casino gaming and it is spreading all over the State.

FORAN. Well, I just think that Mrs. Cramer's testimony details in what we have heard before. And I think that this Committee is going to have to do something more about the mechanics of information down to the tax, either through the use of people in Community Affairs and requesting of landlords and what not, to see that people get the information. But I think that your testimony just dovetails right in and I think that we're all sympathetic and I think this Committee will do a little bit more than maybe just look at it, because we have got to make a recommendation to the entire Legislature by October.

CRAMER. Well, the recommendation of 3 percent, I believe, is a very good recommendation. And would benefit the State of New Jersey and everyone of the other taxpayers here. Thank you for giving me your time.

PERSKIE. Thank you, Mrs. Cramer. Commissioner Edwin Roth is the Commissioner of the Department of Public Safety of Atlantic City.

COMMISSIONER EDWIN J. ROTH. Good afternoon gentlemen. In representing the City of Atlantic City, we have several suggestions and the suggestions have been sent to the Joint Committee on State Tax Policy previously, as the letter is dated August 3, 1978.

But for your edification I would like to read them to you and if there are any questions I will be glad to try and answer them. Number 1, in situations where additional needed scheduling of employee or added hours of service or additional departments are needed and created to help the public need should be outside the cap. Even if in these situations, State approval should be required. Capital improvements whether it be by formula announced by some way should be outside the cap. And coupled with that, there should be some clarifications as far as what debt retirement outside the cap means. Mandated utility increases that are sanctioned by the BPU should be outside of the cap, such as sewerage, electricity, and different things like that, that co-op and get hit and you are not able to budget for it in the middle of the year. Mandated services now this is policy not by law of a State or Federal agency dealing with any new services which are required by that policy should be outside the cap.

PERSKIE. Now that one they are outside the cap.

ROTH. That's mandated by State by law, I'm talking about policy decision. The takeover of any service rendered originally by another governing body should be added to our cap level and deducted from the other body. Such as in the situations where we may supply a service to a county and after absorb it and pay it, that should be excluded from the cap, and then it's deducted from the other corresponding agency. All terminal leave payments for city employees should be excluded from the cap. It is very difficult to replace personnel when you have to budget twice for the same person. For instance, in police and fire or any of the other services covered by terminal leave, if you have ten men retire, say \$10,000, that's not \$100,000 it's \$200,000 because what you actually have to do is budget for that year of terminal leave, plus the men that you're going to replace them. In the City of Atlantic City, we are in a unique situation, and we just cannot deplete our manpower and our other services because we're not on an even plateau. Overtime -- overtime becomes quite a problem when you have as we have seen this year, such emergencies for snow removal, for hurricane danger, or other natural disasters, that there's no way that you can conceive, should be excluded from the cap. And we have another problem which I think should be excluded from the cap. During the summer months particularly, a city must give for military leave whether it would be the National Guard or whatever other service, these men do take two and three week periods of military leave, with the result that at many, many times, in fact most times, we must pay overtime to people to replace them, and I think that should be excluded from the cap. Because none of these situations are under our control.

PERSKIE. Commissioner I want to express through you to the City as a whole my gratitude first of all you and I have discussed these issues in the past and I encouraged you on behalf of the City to send the letter that you did last week and I would appreciate it if you would leave an extra copy with the staff so that that can go directly into the record. I have to tell you

as I think I have or as I know that I have before that so far the sense of the Legislature and the prevailing sentiment that we've heard although not necessarily by any means the only at the hearings we've taken throughout the State is to hardball it if you will on the question of the cap's limitations. Let me for your edification and that of the public just tell you briefly this past winter when it was municipal budget time in New Jersey that is the first couple of months of the year as all of the municipalities were struggling with the same problems that you had in here and in a somewhat starker image there was a major effort to enact a bill in the Legislature to provide an exemption for the caps from three specific mandated costs. That of insurance, utilities and pension costs, all of which are probably beyond local governmental control. That bill was not brought for a vote, I believe if it had been at that time it probably would of been defeated. That was prior to the, I'm not quite sure what to call it, but prior to the vote in California that brought these general questions even more substantially into a public point of view. So that I have to tell you that from the perspective of you as a municipal official who is looking for some way out, relief from the cap, this Committee intends to make a comprehensive report to the Legislature and a recommendation to the Legislature as to how to deal with it. I don't want anybody mislead. We are going to look at everything including relief from the cap or relaxation but I think judging by the testimony that we've heard that most of the members of this Committee feel that our responsibility is to try to devise some way to be helpful to the local officials within the confines of the cap limitation. The overriding sentiment at the moment appears to be let's keep the caps and see if we can deal with the problems some other way rather than abating the caps. And I just give you that as I have privately for such guidance as it may give you. And as I have told you before, Atlantic City's problems in this respect have been well documented before the members of this Committee. Thank you. Victor Volpe, who is with the South Jersey Federation of Senior Citizens.

V I C T O R V O L P E. I want to speak as a senior citizen and not speak for anybody else other than myself. We have several problems, we've been discussing this question over a year, so what I'm now going to give about it, is the way I feel about it.

PERSKIE. You're speaking for yourself and not necessarily for the Federation.

VOLPE. Right. The concept that we are thinking of in terms of taxes is that the State and county tax should be removed from the property and the only tax that that property should pay are for those services that that property derives from the immediate community. That's the concept we have in mind. We're going to try to sell that throughout the State. We're going to call meetings. We're going to see what we can do legally. And we feel that we've got a nice package and that we can sell this package.

FORAN. Excuse me sir, is this concerning Herb Miller and that homestead?

VOLPE. No.

PERSKIE. If you will, Mr. Volpe, I'm intrigued by that proposal and what I would like you to do if you can or will, and I don't mean to tell you how to speak, you can say anything that you want but I would like you if you can, there are two things that I would like you to touch on. I assume that you mean specifically that you want all of the school costs removed from the property tax and further that you want the cost of county government removed from the property tax, and what I would like you to address yourself to, if you're prepared to, is how or in what form we can finance those two programs other than by use of the property tax.

VOLPE. Well, there is a Governor's Tax Commission which has been in operation for quite some time headed by Richard Leone, and in fact, what I am talking about is not something that is far-fetched or way out in left field. Let me take you back to Governor Cahill on his proposal for his State income tax at the time he advocated that there would be a \$1.00 per \$100...

PERSKIE. Statewide property...

VOLPE. Right, and all county and State taxes would be taken off the property.

PERSKIE. No, not all counties sir. That \$1.00 property tax Statewide plus the income tax was to be used for the school tax. And what it would have involved if that program had passed it would of meant that the State would have assumed 100 percent of the burden of the local schools. The local property tax would still have been responsible for the municipal purpose and for the county purpose.

VOLPE. At the time, my understanding was that the county tax would be removed. And then Richard Leone and his tax committee also advocates the same thing.

PERSKIE. The Leone Commission Report which is...

VOLPE. It's right here it says a complete State takeover of court cost was part of the Governor's original tax package method...

PERSKIE. If I may, Mr. Volpe, you're correct on the court cost...

VOLPE. Court cost, district cost, surrogate cost, domestic jury fees, and what not.

PERSKIE. May I just stop you on that point. First of all the Leone Commission Report is a part of this Committee's record and our deliberations, point one. Point two, the Legislature has moved, I'm glad that you mentioned it. There is a constitutional amendment on the ballot this November that would implement a part of that by removing from the counties altogether and taking over at the State the cost of the county court system which I give a free plug...

VOLPE. That was originally Governor Byrne's proposal.

PERSKIE. And Governor Cahill's before him. That's correct. But I want to draw the distinction although we are moving in that direction and if the people vote yes in November we will remove the county court system from the cost of county government. No one that I know of including specifically the Leone Commission and the Sears Committee of 1972 has recommended a total removal

of all county government costs. County courts yes. But county government is a much bigger thing.

VOLPE. Yes, I agree with you on that. When Governor Byrne's first proposal came out on the State income tax he had the \$1.50 per \$100 with the removal of county and State...

PERSKIE. Governor Byrne never recommended a Statewide property tax, Governor Cahill did.

VOLPE. Governor Byrne also. I'm sorry I have the documentation and I'm sorry that I didn't bring it with me.

PERSKIE. Mr. Foran and I were members of the Committee that sat in response to that program in 1974. It envisioned an income tax which passed in the Assembly and did not pass in the Senate. It envisioned a business, a Statewide business property tax at \$1.50 but that was not a broad based Statewide property tax as Governor Cahill recommended through the Sears Policy Committee.

VOLPE. OK, be that as it may, we feel that this concept that the home should be invalid from all taxes other than the taxes that the services derives from the local community. Right at the present time, I think 50 percent of the State's budget is being financed through your property tax. I think last year prior to the income tax it was 60 percent it's now 50 percent. So it hasn't been quite a benefit to the taxpayer. Now we feel that this 50 percent should be taken up by those who would be able to pay it. Now as far as the senior citizens' concern. If I were a senior citizen, I am a senior citizen, and I were getting let's say a \$15,000 home, I would get my \$150 plus my \$50 for being 65, plus 12½ percent of the rate base which in my community would be about \$35.

PERSKIE. Where do you live?

VOLPE. I live in Vincentown. That's what I would get as my share. Now if a millionaire lived next to me, and I were getting \$5,100 a year, he would get the same rebate that I would get. The only way that I would get \$160 more than he would if my income was \$5,000 or less. So when we see something like this we think of it as in terms it's ashame. But that's not the point. The point is that we are caught in a squeeze. For example, there are over 732,000 retirement checks that go out every month in this State. That practically covers close to 800,000 retirees where you have one check for a husband and wife. Two-thirds of these checks go to people who have no other income other than the social security check. They have no trade union pension and they have no trade...

PERSKIE. The figure is probably higher than that in terms of the percentage.

VOLPE. Well, I got this from the Social Security Department. Now, they told me that it's two-thirds of it's only 500,000 senior citizens who are in this fix in this bind. Like this gentlemen that just left here who wants to open up the caps. Prior to Proposition 13, the Legislature was thinking of doing something about relaxing the caps but when Proposition 13 was enacted into law, you changed...

PERSKIE. That bill to do that was held in Committee before Proposition 13 and it was not enacted prior to the time...

VOLPE. Senator Russo who is the author of the caps, am I right?

PERSKIE. He may of been, but the majority of the Legislature was not.

FORAN. We defeated the cap bill in December in the Assembly.

PERSKIE. Yes, that's correct. I forgot about that, I'm glad you reminded me. When Mr. Foran and I were sitting in the Assembly at the end of last year, a bill came over at that point to loosen the caps. This was in December and the bill was defeated.

VOLPE. Even the Governor, subject to the pressure said he wanted it to be in effect for one year. He wanted to give it a chance to operate for one year, and nobody even took a look at it. But now that Proposition 13 has passed, it will go beyond one year, believe me. The point I want to make is this. We as senior citizens have no assurance that our valuation on tax rates will not be raised. And we're in a position now where we could get a lot of money for the home we live in but we have to find some other housing to get into. If we can't get into subsidized housing, we're stuck. That's our problem. We're squeezed by the escalating cost of living. We're squeezed by utility cost and what not. I was intrigued by what you spoke about the circuit breaker. About the tying the property tax to the man's income. We found out that there are 17 states in the 50 that do this. And out of all of these states that I checked, I found the only one that would be a little better is Minnesota.

PERSKIE. Minnesota was the originator, and they have the best program.

VOLPE. Right, that's the only one where a senior citizen would benefit.

PERSKIE. Our program in 1974 was better than Minnesota's for the senior citizens.

VOLPE. Well, we are thinking in terms of what we're faced with now. The question now comes back to when we got this \$160 rebate or we get this additional \$50 or we get this, we're not thinking in terms of everybody wants property tax relief, we know people want it too. So you see, for me to come here and say I want something special because I'm 65, I don't think we're being fair. Therefore, we want to think in terms of something which would benefit all of the people in the community, the young and the old. And we think that the fairest way is to change the concept of taxing property.

PERSKIE. OK. I hear that loud and clear and I know the members of the Committee do. Do you have any suggestions for us and I know it's not your responsibility it's ours and we accept that?

VOLPE. You mean on that basis?

PERSKIE. No, on the basis that let's assume tomorrow that the Legislature decided that property tax henceforth would only be used to fund municipal purpose. Which would mean, that we would

have to assume approximately \$2 billion for that portion of the school cost which is now being paid at the local property tax level and I would assume roughly that the cost of county government on a Statewide basis, let's say \$750 million. So that we're talking approximately \$2.75 billion. Now assuming that we decided tomorrow that we didn't want the property tax to pay for that, and I think there is a substantial equity case that could be made for that, the fact is is that just taking it off the property tax wouldn't make it go away. And I wonder if you have any comment on where we could come up with the State level of \$2.75 billion.

VOLPE. I've checked the income tax which to us is a progressive form of tax and I've checked the 50 states and I find that there are only seven states out of the 50 that don't have an income tax. Now every other state has an income tax which is much higher than New Jersey. I think in this taxation book, Mr. Glaser mentions the fact that a man who makes \$25,000 a year and pays income tax and when he gets his rebate he breaks even. See, we're thinking in terms of what happens in New Jersey as you increase in salary, your earnings increased, your tax goes down.

PERSKIE. Your percentage goes down.

VOLPE. Right.

KARCHER. However, in contrary to that or just opposed to that, is that those people at the higher income level are those who are using that income to perform a very useful societal function called capital formation upon which the whole economy...

VOLPE. Senator, what is your name?

KARCHER. My name is Alan Karcher, I'm only an Assemblyman. Our free enterprise system is based upon capital formation and that's what those people at the higher level...

VOLPE. I think that any man who can make an income which is the type of income that we're talking about should not complain about being taxed. I complained when I was working everytime I paid taxes.

KARCHER. My point is is that they are performing. Those people who are performing the function of capital formation upon which the entire economy is based, are performing perhaps in an inequitable sense, a higher or better or more important function than those who are paying higher taxes.

VOLPE. You mean that a man who is making \$40,000 is going to pay less taxes than a man who is making \$45,000, is that what you're telling me.

KARCHER. No. I'm saying that you say as that as proportionate their income they pay less.

VOLPE. I didn't say no such thing. All I said is that the State of New Jersey as it goes up it stops at a certain point that these people, we're not touching these people. I think New Jersey is third as far as highest in the country as far as the taxes are concerned.

PERSKIE. We're eleventh in all taxes. We are second and third in property taxes and in

terms of State taxes we are forty-seventh. But overall we are the eleventh.

VOLPE. MONY Magazine just published a little diagram and it shows where the states and their ranking and I think in that particular case, MONY ranked New Jersey seventh, and shows as the, for example, at the \$10,000 level, at the \$15,000 level, the \$20,000 and \$25,000 level, and it shows how New Jersey just dropped. Now that's besides the point. What I'm interested in is that the obligation for running the community in the State House should be placed on those people that have the ability to pay. That's my argument. Pennsylvania is introducing a bill at the present time based on the same thing that I'm talking about. And I understand that several other states have taken this thing up. We're going to talk about it, Senator. We're going to talk to the people. We're going to see if they buy it and if they buy it, then we'll see what step we take after that.

PERSKIE. You come back to us because we're listening too.

VOLPE. OK. Thank You.

PERSKIE. Thank you, Mr. Volpe. Mayor John Heinz, is the Mayor of the Township of Egg Harbor and I believe I am correct in saying that you're one of those fortunate 100 or so communities that doesn't live with the cap law because you have no local purpose rates.

MAYOR JOHN J. HEINZ. It's obvious that I won't be addressing myself to that. One of the problems of speaking later in the session is that I don't wish to appear to be redundant or coattail someone else's proposal or argument. However, I would like to substantiate the problem with what has been termed fair market value and how it creates a problem for us. I'll just tell you very briefly a little about my municipality. We are a municipality of approximately 22,000. We are immediately adjacent to Atlantic City and very definitely are feeling the impact of the casino gambling. At the present time, I have to view most of that impact as a liability as opposed to an asset at some point in time it may become an asset for us. But it is very definitely a liability. Not having a local purpose tax and having the direct advantages of the State income tax with respect to supplementing of school aid, and having had a 22¢ reduction in taxes this year on the local tax rate, we're at \$2.41 per \$100, I have many residents that are paying substantially more taxes this year. And the only thing I can attribute it to is something that the Senator had alluded to earlier, namely the substantial increase in the assessed evaluation. I can tell you because I am in real estate that we have approximately a handful of brokers who are literally controlling that market. Property, average building sites, last year that sold for \$5,000 to \$6,000 are now definitely breaking the \$10,000 market. Our community is basically 60 percent undeveloped so it's not a matter of supply and demand. It's just that it's whatever the market will bear. I would like to suggest that a fixed percentage of assessment increase exclusive of capital improvements to the property be considered. I would also like to suggest that as an integral part of an agreement of sale that the present assessment and taxes should be noted. So

that as some type of a guide to the unknowledgeable buyer who may come into the area, simply overwhelmed by what the potential might be. We have had just recently my tax assessor brought an instance where we had an individual who appealed his taxes we had to reappraise the property of \$55,000 it was rolled backed \$47,500. The man turned around and sold the property for \$110,000. Now that's fine, he's out of the area. But the adjoining property owner one who maybe has a very similar home, same lot size and so forth, who may have absolutely no intent of moving and who very definitely supported the gaming issue, hoping that there would be some spin-off effect, but would like to stay here is going to be penalized. And, in fact, I think what we're doing is that we are condoning this inflation spiral really, by saying that this in fact is the fair market value. I was quite amazed when our tax assessor earlier had said that the last figure we had on equalization tables was 1.01 went down to 89 I believe he said. That's where I think there should be some fixed percentage, I believe that's what you were suggesting before, of yearly increase in assessment.

KARCHER. I'm only, and I say this with the rules on the side, but I think upon reflection of what's heard today, and I don't know how the Senator takes it, but it seems to me that Atlantic County is experiencing something we in developing counties like Middlesex has had for years. We have had this problem for years.

HEINZ. Perhaps it's not quite as graduated as you maybe experienced has become overwhelming.

KARCHER. Well, it's been overwhelming. Our drop in equalized ratio over the last 10 years has been an average of anywhere between 6 and 7 points per year. Now I think that's common. In the area say 20 to 30 miles outside of New York City, Morris County, Union County, Middlesex County, have losses of 6 to 7 and 8 points a year is average and we've lived with it.

HEINZ. Who really is to determine fair market value.

KARCHER. The market place.

HEINZ. It's in the hands of the realtors and in part the buyers. But in this particular case these are not neighborhood buyers so to speak. These are people from...

FORAN. Now it's getting back to the old problem of housing shortages, location. That's why I asked the Councilman the last time that they had a re-evaluation here in Atlantic City. The City of Newark hadn't re-evaluated since World War II.

HEINZ. On the other hand, we re-evaluated in 1976.

FORAN. They have a court order to do it now, I don't think it will be done for another couple of years.

HEINZ. And also as a result of the gambling, I think in all honesty, we are compelled to revise our master plans which result in rezoning. Again, we have properties that very possibly going to the area that had been previously rural residential are now going commercial. You'll have commercial sales taking place.

KARCHER. That's the secret. Rezone of the year and then your all assess will be exempt. You'll have an absolute status-quo. That's free little advice.

HEINZ. Another thing that I would like to speak in behalf of restoration of the State road aid it is a very important consideration of ours. Our municipality has approximately 200 miles of road. Through capital improvement ordinances this year we will expend about \$50 million and really just a little drop in the bucket because as you have indicated these past two winters have really been severe. One thing that particularly upsets me and I realize in my position as chairman of a governing body that for every service you have to generate revenues and that you say you're going to take it from here, where are you going to take it. But for an example, my understanding is that the heavy vehicles, the big trucks pay a special tag fee, I believe it's \$1,000 a year. And I was under the impression that where we could document certain roads as being used by heavy trucking we would be eligible for these funds. However, my engineer advises me that that money is no longer there either. I don't know what happened to that money.

PERSKIE. The same thing that happened to the \$25 million that the State distributed from the sales tax and the same thing that happened to about 7 or 8 other programs when the crunch came in 1973, 1974 and 1975.

HEINZ. Well, is my information correct, that much of that money has been diverted into public sectors of public transportation.

PERSKIE. No, that money as far as I know is not dedicated funds, and they go into the general fund.

FORAN. The only dedication that we have in the entire State right now is the income tax. But when you get down to the dedication of tax it requires a constitutional amendment and the income tax is dedicated and dedicated to the sole purpose of property tax relief.

HEINZ. My understanding is is that there is money available for new road construction. I don't think the State of New Jersey needs new road construction. What we really need is reconstruction.

FORAN. Take care of what we've got.

HEINZ. Yes.

FORAN. I agree. That's why I suggested that maybe somebody look at the amount of interstate money that is on-hand, encumbered, through the finish of the interstates, maybe give us the interest of that for a year and see what we could do with that.

HEINZ. That would be a big help. And I would like to say that I very much appreciate your consideration of possibly amending the agreements of sales on property that contain because everyone that's involved in real estate knows that you have a list in your agreement that normally indicates the assessed evaluation and the current taxes. Most buyers don't ask that right now.

PERSKIE. They want the house.

HEINZ. They want it. But I think that should be an integral part to bring it to their attention that perhaps they are paying a very inflated price. And as I say that has a most disadvantageous affect on the older, existing resident who does not wish to sell out of the community. Thank you.

PERSKIE. Thank you, Mayor. I appreciate your testimony. William Ferry is probably the least happy man in the State of New Jersey these days. He is the Tax Assessor for the City of Atlantic City.

WILLIAM G. FERRY. The last re-evaluation we had that is a total program for the entire City, every stick and stone and lot, was made effective for the year 1962. Since then, we have had several reassessment programs in various areas as it was warranted. The last program that we undertook was approximately in...

FORAN. Same evaluation and last sale and so forth.

FERRY. Right. Several large areas of the City were done at various time.

PERSKIE. The last one was when.

FERRY. 1970-1971 was the last time we did a large scale program. Addressing myself still to a re-evaluation program, I would like to make a comment that many communities over the last let's say 15 years have spent anywhere from say \$50,000 up to \$400,000 for re-evaluation programs. And once the program is completed and turned in to the City, there is very seldom if ever a sufficient staff on hand at the local government to look over the program. And the program just goes right down the tubes, until five, six, seven years later, you have to go through another 50, 60 or 80. So the present administrative set-up on the local level in my opinion in most cases is inadequate to maintain a re-evaluation program and keep it up-to-date. Upon really because of small administrative grievance and reliability to have a full-time properly paid staff to maintain their positions. As to what is happening here in Atlantic City, just as a for instance. Now the numbers that I am going to give you are raw data that is all sales transactions before they have been called for purposes of the Director's inquisitions studies. The 19 months prior to the gambling, and that would be from April of 1975 through November of 1976, the constitutional referendum hadn't passed in the first week of November. I processed through my office 914 sales with a total sales value of \$22.5 million. Now in the 19 months after the passage of the gambling legislation and that would be the period ending June 30, 1978, I processed 1,778 sales for \$139 million. The same period of time from \$22.5 to \$139. Now when we get into this problem of equalization and how we can treat it and what it means, if we took the Director's study periods, which is you're on a 12 month basis ending on June 30 of each, we jumped from the 12 month period ending June of 1976, we had \$13.7 million worth in sales volume. The next 12 month period was

\$46.6 million and for the 12 months ending this past June at \$99.7 million. During the month of July, here in Atlantic City, there has been announcements of transactions that are in the progress of being closed in the neighborhood of some \$70 million. In addition to that, I am aware of some \$20 more million that are still in the fluid stage which may or may not be consummated. This sales volume is building and building and building. Now at the same point in time, I include in the switches because this sales volume of some \$139 million of post casino sales are being applied against pre-casino assessments. My assessments were set as of October 1, 1976. And I haven't been able to change them. I did do a program and submitted it to the county board this past year. And they rejected the program, so I'm still back to October 1, 1976. Now the impact of all of this is that while we have all of this value on paper and are unable to translate it into times of assessed value, we're being asked to pay county taxes on this paper value and at the same time we're asked to take reduced payments in State school aid. And my position, I still want to press this with the State Division of Tax Appeals when I get back in there again, is that we should of had a holding pattern, and our ratio set as of the four months prior to the passage of gambling, which would be July, August, September and October of...

FORAN. Excuse me. When can you get the proper assessment on this property. What is the earliest date you can do that?

FERRY. Well, last year, for the year 1978, I made changes in the land value amounting to approximately \$112 million and an additional \$30 million in building value. Now the County Board of Taxation said that was not an extensive enough program. Even though it was in the area that was rezoned for casino use and the lands on the peripheral of that area. So they threw that program out. So this year, I'm just taking the same program...

FORAN. The County Board threw it out.

FERRY. Yes, sir.

FORAN. Are you in a process of an appeal?

FERRY. We have an appeal at the State level and they told us at the Division of Tax Appeals that the Legislature had not delegated to them the authority to make an adjustment and reinstate those figures for that particular year. The only thing that we could do would be go on a sale-by-sale basis, challenging the Director's table, to try to get our ratio back up.

FORAN. Well, it doesn't make sense to me how the City can't assess at the proper value of a sale, and yet the County and the State Tax Board will uphold the fact that you have to come up with the paper value dollars to them.

FERRY. Well, somewhere along the line, somebody promulgated a rule or a regulation that said you had to change at least 80 percent of the properties in a community regardless of what their value was or whether the value had changed at all of those 80 percent. And it's my under-

standing that in as much as I didn't change 80 percent that, therefore, the program that I submitted was not extensive enough and that it would work inequities on the balance of the community.

KARCHER. With 1,700 sales, I can't imagine them being geographically all in one location and that they would rather widespread.

FERRY. They were formerly concentrated in two specific areas. One, the areas that were rezoned for casino construction and...

KARCHER. It was not 1,700 areas...

FERRY. No. The sales were pretty well concentrated in that area and we experienced a very heavy demand on our prime residential section. They took the brunt of the first impact.

KARCHER. Let me ask you something else. How many other 1,700 of you turned down in putting NU-23's on.

FERRY. Let's see, a 12 month period ending in June of 1977, we actually had 1,219 sales and out of that number, 609 went into the study.

KARCHER. So less than half of your sales went into the study. You knocked out 50 percent of the total sales?

FERRY. Yes.

KARCHER. Now how many of the total of 50 percent of total sales, 600 sales you knocked out, how many were knocked out, just for an example, for NU-23's?

FERRY. For NU-23's, I don't know. I don't have a breakdown of how many I classified within the given categories.

KARCHER. Well, what's the heaviest NU that you used.

FERRY. I would say rezoning for that particular area. And, of course, the rest of them are sales of the heavy substantial commercial properties involving licensing, good will inventories, and so forth, where it's indeterminable.

KARCHER. Your accountants don't think it's indeterminable, do they?

FERRY. No sir.

KARCHER. Then why do you think it's indeterminable.

FERRY. Well, because the Director seems to think so and I agree with him.

KARCHER. It's not really indeterminable at all. The accountant sets up a book for depreciation, he puts that real estate in as a depreciable number, doesn't he.

FERRY. Certainly he does. And I would imagine he would even put in good will.

KARCHER. The accountant who represents the buyers sets up fixtures for depreciation. Actually, well then tell me this, if you didn't knock out all of those NU's that you have, the 600 NU's, I'll bet you, isn't it accurate to say, that they also show that the sales that were going in that the reassessments were 10 and 15 percent of true value.

FERRY. Yes, sir. Vacant land, especially. Vacant land jumped about 1,000 percent in a lot of instances - 35¢ to 50¢ a square foot - it went to \$3.50 to \$5.00. Of course, it's now even higher.

KARCHER. Isn't it true that your aggregate if you used all of the 1,700 sales that your aggregate of true values would go up about 300 percent here in Atlantic City.

FERRY. 300 percent, no, it's about 200 percent.

KARCHER. If all were included.

FERRY. I would say a long a period of time, you would probably, right now about \$650 million would be the value.

KARCHER. And in 1975, wasn't your aggregate of true values for the Director's ratio October 1 about \$120 or \$220 million. About \$200 million.

FERRY. In 1975, 90.89 percent was the aggregate and Class 4 was 105.98.

KARCHER. What was the total?

FERRY. We had an equalized value on that base as \$332 million. And then your ratios dropped right down through the bottom, it went from 105 to 60 in Class 4 which is commercial. Even with getting those sales out. The sales that you cannot do anything with you just have to live with them.

KARCHER. Well, there's a lot of people in other parts of the State other than Atlantic City that think you ought to live with them.

FERRY. Oh, certainly. The thing is if a community experiences such a drastic turnaround almost overnight and they have no opportunity to reflect the impact of these changes on their assessed valuations, they should not be penalized for that, because it's beyond their ability that legislatively you're precluded by statute from making a lot of these changes. After this passed in November of 1976, I couldn't fix anything even though it took right off through the roof. And I might also point out, that this is not going to be a unique situation just for Atlantic City. It's magnified here because we bare the brunt of the first impact and the triple effect is now going out through the county. But we should also consider what's going to happen, now if they come up with commercial's quantities in natural gas and oil, sure. Now whenever that comes up, it's unsure. You're going to have an identical situation to this whether it's Perth Amboy or some other point along the coast.

KARCHER. We won't mind.

PERSKIE. He represents Perth Amboy.

KARCHER. We won't mind. We'll struggle through.

PERSKIE. Any other questions?

KARCHER. Yes, I want it for proof. How are you assessing Resorts? Are you doing that by capitalizing their income?

FERRY. No.

KARCHER. What are they on the books for?

FERRY. Right now they are on the books for \$7 million. Just what they paid for.

KARCHER. They paid for. Now if you cap that their income would be on for about \$70 million.

FERRY. Well, we'll see when the income time comes.

PERSKIE. Let me ask you this in that particular case. Now today happens to be August 15 was the day appeals were filed. Their assessment for this year and that upon which they will pay tax through next year is \$7 million.

FERRY. For this year it's \$7 million. They had a State judgment on there which I put back on, it expired. I put it back on for 1978. Actually, they were lower. Now that judgment had expired. So they're back on the books at approximately \$7 million. And that's where their initial tax bill was issued on \$7 million valuation.

PERSKIE. What about the improvements?

FERRY. Now, there will be an added assessment this year on all the new construction and the renovations that were completed as of the time that they got that facility opened.

PERSKIE. May.

FERRY. May. So there will be a substantial added assessment for 1978 and in addition which they are still building over there and for 1979 again additional improvement assessments will be placed on the property in addition to new land values.

PERSKIE. When do you estimate, for example, not only with them let's not single them out, but all of the properties that are now building or have built an added assessments would be appropriate for this year. When do you estimate they'll go on the books?

FERRY. We'll have added assessments for this year in quite a few instances but they're limited to renovation and remodeling.

PERSKIE. But when do you expect to see them. By October 1.

FERRY. They'll be filed October 1, of course.

PERSKIE. Thank you, Bill. Charles Montecino?

C H A R L E S K. M O N T E C I N O. Certified Public Accountant. I'm here today to talk about a few things concerning income taxes in view as a CPA. First, I would like to correct some of the things that were brought up earlier. When Assemblyman Matthews said about the seven days that the corporations before March 25th, they don't have to pay a tax for that seven days, they can pick the year end anytime off the February 28th of the next year. There's not a tax just for being in business for seven days. Under the present tax structure in New Jersey the small businessman and accountant are faced with various due dates of filing monthly reports. It would cause less confusion and hardship on the businessman if all these tax reports were filed and the tax paid on the same due date. Some of the various reports and their due dates

are as follows. On some of these Assemblyman Matthews mentioned. For example in this area the Jitney Gross Receipts Tax and the Atlantic City Luxury Tax are due the 10th of the month. The Tax on Gross Income on wages is due the 15th of each month. Cigarette Tax and Sales and Use Tax are due the 20th of each month. Interstate Busses Monthly Report and Mileage Tax is due the 25th of the month. Apple Growers Reports and Payments are due the 15th of January, April, July, and October. Motor Fuel Use Taxes are due the 30th of January, April, July and October. New Jersey Unemployment Tax and the Emergency Transportation Benefits Tax which is an income tax on nine residents are both due the last day of January, April, July and October. Whenever these reports are due on the same day, it would cause us confusion with the small businessman, particularly the accountant. In April, when all of these reports are due the 15th and the 20th of the month and the accountant is busy until the 15th of April and just can't get to it and causes problems. In addition, the New Jersey Business Personal Property Tax which is a tax on tangible personal property owned, January 1, 1977 the tax is 1.3 percent on 50 percent of the cost of that property is due February 15th, the tax may be paid February 15th and September 15th. Now the form itself doesn't tell you that you can pay this tax in two installments, the instructions do, the form just says tax due and pay by February 15th. It's confusing. I have had clients with big amounts to pay that they only have to pay half, then they say well the form doesn't say it. The New Jersey Annual Report with a tax of \$15 must be filed annually in the month of incorporation listing the next annual meeting of the Board of Directors. This information can be furnished with the filing of the Corporate Business Tax Return thereby eliminating the necessity to file the Annual Report. Now this and the Business Personal Property Tax could all be combined on the Corporate Tax Return. The U.S. Corporate Income Tax Return is due on the 15th day of the third month after the end of the taxable year and the New Jersey Corporate Business Tax Return is due one month later. This due date of this return should be changed to coincide with the due date of the Federal Tax Return as is the case with a majority of the states. For example, the calendar year in a corporation, the Federal Return is due March 15th and the New Jersey Return is due April 15th. In most states, they're both due at the same time.

PERSKIE. As a practical matter, if I may interrupt you just on that point, in your practice do you typically prepare the New Jersey CBT on March 15th anyway.

MONTECINO. Yes, we prepare them at the same time. Because what would happen is that you would be getting this tax of an income off the Federal Return and it's just a few more numbers. It's kind of a nuisance to do.

PERSKIE. You also got the net worth portion though.

MONTECINO. Right. At the present time losses of a current period can be offset against taxable income of a prior period or a future period for Federal Tax purposes. New Jersey should change the tax law in this respect to recognize these Net Operating Losses. At the present it is

not uncommon for a corporation to have a large loss in one year and a profit the next year and pay no Federal income taxes but have a tax due on their New Jersey return. That's what Assemblyman Matthews was saying. I had an example of a client as a corporation he owned two motels inside a corporation. He had an April 30th year end. He sold one motel in May of 1975. Filed the tax return for April of 1976. Had to pay the tax on about a \$30,000 gain. He had no gain, no tax because he had a loss from the prior year. And to pay a tax on \$30,000 plus he had to pay 60 percent of that tax as a prepayment for the next year when he knew he wasn't going to have that \$30,000 of income. So that was due August of 1976 and he just got his refund back August of 1978. It took two years to get his money back, without interest.

PERSKIE. Let me ask you a question about that, without advocating or even suggesting non-payment of taxes. What as a practical matter are the consequences in that fact pattern that you just mentioned where you don't prepay the 60 percent because you know that there is going to be a non-tax return in the next year?

MONTECINO. You still have to pay it. It's required. The penalties...

PERSKIE. The penalty is a percentage of the tax due, is it not?

MONTECINO. The tax due does include the current year plus the prepayment for the next year. And that's the prepayment you paid the prior year. That is the tax due. Your prepaying 60 percent of...

PERSKIE. So then what your saying is that if you don't pay it the penalty is imposed not on the basis of the non-tax return but on the basis of the last tax return.

MONTECINO. Right. There appears to be a selective tax at the present time on four agricultural products. The product and due dates are: apples, there's a tax due and report on the 15th of January, April, July and August. Asparagus and Seed Potatoes the tax and report is due August 1 and Sweet Potatoes the tax and report is due the 1st of February and August. It seems that these four are being singled out for taxation while no other agricultural products are taxed. I don't know how far back these taxes go but there are many crops in this State. Which it seems ridiculous for a tax to be on these four. I can't think of any reason that these four require any more State services than any other crop.

DEARDORFF. Actually, those taxes were put on those products between 1958 and 1961 at the request of the growers themselves because on these four items the amount of money that is brought in from them is used for promotional purposes.

MONTECINO. The tax form didn't say why the tax was in there.

PERSKIE. Now you know why we bring somebody like this around. There probably aren't a half a dozen people in the State of New Jersey that could of just handled that like that, Gil.

MONTECINO. The Homestead Rebate could cost less to refund if it were taken as a credit on

the tax return like the tenant credit. We do have a tenant credit in this State. I think last year it was \$100.

PERSKIE. \$65 and \$100 for seniors. But that you understand I guess you have heard the testimony already that it would cost us \$16 million of Federal money if we did that.

MONTECINO. OK, what I was going to say that perhaps it could be deducted from the real estate taxes instead of paying it and getting it back and all of that. The New Jersey Tax on Gross Income does not allow an individual to offset losses of one type of income against income from other sources. Therefore, I cannot understand how, as reported by Sidney Glaser, Director of the Division of Taxation, that 32 tax returns were filed in 1976 and no income tax was due on income of \$100,000 or more. That would mean that these 32 people would have to have 100 kids or \$5 million in medical expenses or alimony.

DEARDORFF. They probably were out-of-state.

PERSKIE. Residents who live in New Jersey but work out-of-state and the reason for that is that they get a full credit. New York's taxes are higher than New Jersey's and, therefore, when they pay New York's tax and claim a credit they pay nothing to New Jersey. Because their tax that they paid to New York exceeds that of which they would of paid to New Jersey.

MONTECINO. So they pay the tax to the state where they earn the salary and then they get credit in the state where they work. So they still didn't pay the taxes...

PERSKIE. Where they live.

MONTECINO. Right, where they live is what I mean.

PERSKIE. Well, that's what I'm saying, they live in New Jersey and work in New York.

FORAN. If a guy makes \$100,000 in New York and pays \$25,000 of New York taxes he pays nothing here.

MONTECINO. OK. It seems to me that if the Legislature would take a common sense approach to the tax laws and think of the little guy the small businessman and some of these laws are enforced it might create less problems. I have a few more comments on some of the other things and they were mentioned earlier. And that is if homes are reassessed and everyone's home is reassessed and the value doubles, therefore, the tax rate should be cut in half and the taxes should remain the same. Taxes shouldn't double. They might go up or down for some people. If my house is reassessed it may go up and the person next to me may go down...

PERSKIE. The usual rule of thumb with a re-evaluation and it's even dangerous to say because it's subject to as many exceptions as not, is that it typically one-third of the properties will not see any major deviation, one-third will go down, one-third will go up.

MONTECINO. You said before that when some person earning \$25,000 a year, it's not a fair tax or something, that person pays 2 percent on \$20,000 which is \$400, he pays \$525 in income taxes.

So everyone does pay at the same level. It's not that anybody gets a break unless they have a lot of kids or medical deductions. Some things were mentioned about sales tax and how it is regressive. The Federal government in your tax return, the itemized deductions will allow a person with \$5,000 of income to take a \$56 deduction for sales tax. That person will pay \$100 tax in New Jersey on the income tax. And it goes up, \$10,000 its \$98 vs. \$200 the income tax; \$15,000 is \$138 vs. \$300 income tax; \$20,000 is \$168 sales tax and \$400 income tax. That's the average in sales tax for that salary. So it doesn't go up that much. It's not that disproportionate.

PERSKIE. But I think the argument before for whatever it's worth, was that the sales tax is a flatter rate imposition, and therefore, on a proportionate basis it applies heavier to those with lower income. Which is an argument that even though our sales tax is a relatively progressive sales tax as sales taxes go, is true to the extent of the nature of a sales tax. It is by its nature a regressive tax.

MONTECINO. Now I understand that the sales tax in New Jersey, there's no tax on necessities.

PERSKIE. Well it depends what you define as a necessity.

MONTECINO. Soap is a necessity and there's a sales tax on soap.

PERSKIE. How about a refrigerator or stove? How about an automobile?

FORAN. You're talking about clothing and food.

PERSKIE. We don't tax shelter, clothing and food which are typically associated as the three major necessities of life and to that extent and we don't tax medical to a certain extent. And to that extent our sales tax does not apply to necessities, but again, an automobile, soap, a refrigerator, a stove, these are in my judgment anyway, equally necessities of life and they are all subject to the sales tax.

MONTECINO. Now I'm not sure if these figures are still right, but I know about four or five years ago, well, this is back in 1971, Pennsylvania instituted their income tax. The Federal government at that time would administer the State income tax for \$1.00 per return. They would collect the tax remitted to the State and at the same time they did an audit of anyone's return, they would audit the State return, for \$1.00 per return. Now in 1976, according to that report from Mr. Glaser, there were 2,394,167 tax returns filed, individual tax returns for that year. So even if that figure was \$5.00, and what is that it's \$10 million to administer and I'm sure the State paid more than that for that.

PERSKIE. Well, let me tell you exactly what we paid and why we decided not to take that off. In the first place, we pay it on an annual basis \$6 million, which for that half year was \$3 million. And in the second place, when you buy that program for \$1.00 a return you also buy the Federal income tax. And from a policy point of view, our Legislature was not willing to do that. Our Legislature taking the position from a policy point of view that the Federal income tax leaves a lot to

be desired in terms of its structure. So that the only way the Federal government will do that is if you adopt at the State level what's called a piggy-back income tax where you simply impose the Federal income tax and tax a specific percentage whatever you want to take of that liability. But then you buy all of the shelters and the loopholes and the exemptions and the non-taxable items that the Federal government gives you in each tax structure. You can and people do argue that that's what we should of done, but the reason was that our Legislature was not willing to say that you should have an all depletion allowance for example, or that you should have tax exempt securities of this and that nature other than New Jersey's. For example, when we adopted our income tax we said, yes, tax exempt securities, certainly, if you buy them in New Jersey, if their New Jersey's or any of the subdivisions. But why should New Jersey subsidize the purchase of Wisconsin bonds which the Federal government does do. And that's the philosophy behind our rejection of that. We administer our income tax, incidently, at a lower cost than we administer any of our other State taxes.

MONTECINO. People complained that New Jersey's tax is too high, in Wisconsin the tax rate at the highest level is about 14 percent or around \$16,000 or \$17,000 of income. That's one of the highest in the country.

DEARDORFF. The highest is in Oregon not because the rate is the highest but the maximum rate starts at \$5,000 a year.

PERSKIE. Senator, any questions?

FORAN. No.

MONTECINO. I'll give the Senator some free tax advice you can get your expenses back by filing a Form 2106 with your Federal return.

PERSKIE. OK, thank you very much. Elizabeth Whalen?

E L I Z A B E T H W H A L E N. Resident of Ventnor, New Jersey. Several people have spoken about this, Commissioner Colanizi and I think Mayor Heinz and someone else, it's about the assessments. Now in 1976, we were re-evaluated.

PERSKIE. What City is that?

WHALEN. In Ventnor we were re-evaluated. And at the time before the re-evaluation, my house was \$16,900. The house next door to me sold for \$21,000. So they promptly put mine up to \$22,000. Now I'm not leaving, I haven't done anything to the house. OK, I did get a \$1,200 reduction by applying through the county. Now the house two doors from me, has sold for \$30,000 this year, which means if they assess me on that I'll go up \$9,300. A lot at the end of the street, which isn't as large as mine, our lots are 60 x 62½ deep, that lot is 62½ but only 32 ft. and was sold for \$15,000. Now, if I'm assessed at all of these amounts, I'm going to have a tax bill of about \$1,200.

PERSKIE. And your income during that period of time has not risen, right?

WHALEN. No, it has not risen. So isn't there something that can be done about these assessments?

PERSKIE. That's why we are here.

WHALEN. Most of the people on our street are really just living on fixed incomes, social security, maybe a small pension or something, and you just can't afford this. So there has to be something done. That's my problem.

PERSKIE. OK, I appreciate your coming to share the problem. We are more, as you can tell by our testimony today and this as I have indicated is but one of ten hearings where we're hearing essentially the same testimony throughout the State. We don't have any magic answers. There are a number of possible answers. You've heard some of them spoken here today. I'm not at this point able to tell you what the Legislature will do, or even what this Committee will recommend except that it is my expectation and my hope and my conviction that this Committee will make a recommendation or a series of recommendations for action to the Legislature.

WHALEN. OK. Thank you very much.

PERSKIE. Phyllis Scull. For the record, she has left and will submit a written statement to the Committee which will, of course, be included in the record when it gets here. Joanne Dionne? While your taking your seat, I notice Freeholder Savell in the audience, is there anyone else after Ms. Dionne and Freeholder Savell, who wishes to be heard? OK, then we'll hear from Ms. Dionne and Freeholder Savell and then we'll call it an evening.

J O A N N E D I O N N E. Resident of Rio Grande, New Jersey. One thing directed to the Senator. Little people do save sales taxes.

FORAN. No, I said they don't tab up their sales taxes, they'll take the normal exemption.

DIONNE. No, because last year I got very upset when they said that I only had \$80 coming for an exemption.

PERSKIE. What did you add it up to?

DIONNE. So far, well just the last quarter, April, May and June, it was over \$53 just in sales tax.

PERSKIE. I also think that you proved the point, that I think was made by Mr. Kravitz, or somebody else earlier, that the sales tax while it's paid at a nickel at a time can in many instances substantially exceed that which the income tax would do.

DIONNE. Yes, it does. I'm a novice at this Senator Perskie.

PERSKIE. Just tell us what you think.

DIONNE. Well, on the elderly. I have thought about this for a long time. We've talked about it in our family. Of course, we're all going to get old some day, and I think that there

should be provisions made for them. And the younger people take a little bit more of the burden really. Just like this woman who was talking how is she going to handle all of these assessments and everything on a fixed income.

PERSKIE. What do you suggest?

DIONNE. Right now, I don't know what to suggest, like I said, I'm just starting into this and getting into taxes now owning a home in Middle Township which is another thing with taxes.

PERKSIE. Middle Township, incidently for the record is in Cape May County.

DIONNE. Before the income tax went in, I was paying close to \$650 in taxes. The income tax went in and we were supposed to get a relief. You got your rebate back, you got two checks that amounted to about \$180 or \$182 something like that, last year. We were re-evaluted and my taxes went up almost like \$150 school taxes. Now am I correct in thinking that the income is supposed to take care of some of the school?

PERSKIE. Some of it.

DIONNE. Why wouldn't most of the rise in the tax on property go for school? And then again this year on the rebate it only manners to a few dollars but the rebate was even less.

PERSKIE. If the rebate was less, it was by reason of the fact that your equalized tax rate was less. Now, as far as the school aid is concerned, I can only guess that for whatever reason in the formula, I don't know Middle Township's experience, but I'm sure that Senator Cafiero or Assemblyman Hurley or Chinnici could get you the data. I suspect you might of had a loss in school aid, by reason of the distribution formula for the school funds. I don't know.

DEARDORFF. I think the reason that your rebate was less was this. That even though you say your school taxes went up. Your school taxes went up in 1978, is that correct over 1977?

DIONNE. Yes, that's the biggest part of it.

DEARDORFF. But your rebate that you got this year was based on last year. Now, if your taxes went up this year, the rebate you get next year will go back up again.

DIONNE. My question is though why did the school taxes go up if the income tax put on the public is suppose to aid the schools. Isn't that giving them more than what they had last year, or the year before?

DEARDORFF. Unless we knew exactly the situation in Middle Township, Middle Township as I know it would not be one which would get a lot of State school aid. It has a fairly high equalized valuation per pupil. In addition, you are a developing township, so that your evaluations are increasing and probably increasing at a faster rate than your school population is which gives you a down turn in the amount of money that you get from the State on the basis of school aid. The school aid is distributed on the basis of the property wealth of a community in relation to the number of pupils. And if the property wealth of your community rises faster than the number of

pupils the amount of money you get goes down until it hits a minimum per pupil. And if the school district then spends more money it has to come out of property taxes and not out of the State's school aid.

DIONNE. So it's per pupil how much you get from the State.

PERSKIE. But then generally speaking, the wealthier a community is measured as a function of the amount of valuation that it has per student the less in school aid it will receive. So that, for example, you've heard testimony about Atlantic City's property values going up, assuming as we must that its school population will remain constant. The higher its property values go the higher the valuation per students will become and the less in school aid they will receive.

FORAN. Which is one of the big problems.

PERSKIE. And in their case it's a problem particularly because although all of these values are being included for that purpose for the purpose of computing the school aid, they're not being allowed to assess people on the basis of those values. So that for purposes of their assessments they have got about a \$300 million of \$400 million base year but for purposes of computing the school aid they're talking about \$600 million. And he's caught, that assessor you saw, is caught in the middle of the squeeze.

DIONNE. I would also like to mention that I'm pretty disappointed in the taxpayers for not showing up here. They give a lot of beef and everything and how many people that I have counted here, I'm really disappointed.

PERSKIE. Well, we appreciate your being here and we appreciate your input. Thank you.

DIONNE. Thank you.

PERSKIE. Jerald Savell is a member of the Atlantic County Board of Chosen Freeholders and also served as a member and for a time as the president of the City Council in the City of Pleasantville.

J E R A L D W. S A V E L L. Thank you, Steve, and I'm glad that you are all here to aid the citizens and get their input from these hearings. I'll be very brief. Steve, just for the record, I want to say having had the opportunity to serve on both levels, both the county and municipal level of government, that I see no great constraints on county government as far as budget caps go but I do on municipalities. And I'm sure you're aware of this but just for the record. A municipality where I served on the City Council and is still having problems with the caps due to State mandated costs that come down the pike, such as workmen's compensation, other fixed insurance increases, that there's very little room left for such normal everyday expenses, utility costs, fire hydrants, salaries as being one of our biggest problems last year as President of the Council our community was totally unable to give our employees raises at all. And with the cost of living going up you can understand the problems that we are faced with. It has

gotten to a point where the municipality cannot even put in proper finance for any new equipment. like police cars, fire engines, without going into some kind of bonding. So I just ask that you consider any possible relief or exemptions for any mandated State costs at least this would free-up some funds for some municipality to work with which would in turn help them to satisfy their needs and services that they have to provide. I think everybody realizes that costs do increase and I don't think that 5 percent is something that is unrealistic but when you throw in a hundred and some thousand here and another hundred and some thousand there you're nibbling right away at that 5 percent that was really intended for the municipalities on their personal needs on their own growth that they face. And I think that this is something that seriously has to take a closer look at.

PERSKIE. OK, do you think that if we adopted an approach that might address itself to either through the road aid formula which is the one that we have heard about today or otherwise if we might divert more State resources to aid local and county governments that we might still be able to survive with a cap limitation at or near 5 percent?

SAVELL. These help, Steve, there's no question about it. The road aid is receiving certain Federal funds like CDA and EDA which were doing a lot of road paving in my own municipality. But you know this is great and we appreciate it but on the other hand we're looking at other Federal funding like revenue sharing. This is totally being utilized now for regular services in my municipality for street lighting. And if it was ever to be plugged back into the regular municipal budget that would dabble again right up the 5 percent cap. So just looking at now most of your municipalities are under some kind of contracts with the police, firemen, and in my community now the regular municipal employees are...

FORAN. How did you handle it when the caps came on and say you're in the middle of a three year term and you're only halfway through and they put the caps on. How do you handle that?

SAVELL. Well, it was understood by the employees that there were going to have to be lay-offs if we got into the midst of a definite increase and this is something I think that we are not trying to generate lay-offs but trying to have everyone working. So it's to a point that if this would help, but I don't think that this is the total answer. I think that if you're going to have definite insurance increases these large bulk increases than they should be exempt from the normal municipal 5 percent cap and I think this is where we're really going to have to go. I appreciate the road aid and God knows how long some of these Federal projects are going to last that have been helping us out but definitely there's going to have to be some exemption there for a municipality. Especially a struggling one. I don't know if you can put it into certain percentages of what type of tax base you have in a community. Some communities probably don't

need it. There are some over here on the island like Vegtner that are receiving land sales and they're doing fine, they can't spend the money, their complaint is that they have too much sitting there. In other municipalities that are struggling like maybe Atlantic City, Pleasantville or Egg Harbor City, have problems just getting up the money because of the poorer collection.

PERSKIE. What is Pleasantville's collection rate?

SAVELL. I believe it's about 80 percent.

PERSKIE. Down to 80.

SAVELL. So it's not the greatest in the world. Thanks a lot.

PERSKIE. Thank you. Anybody else that would care to be heard. The clock indicating that its quarter to six, we will declare the Committee hearing in recess and instruct the staff to have the transcript by tomorrow morning so that we can review it and we will stand in recess.



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LEGAL DEPARTMENT

EMANUEL L. LEVIN
CITY SOLICITOR

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F. FREDERICK PERONE
CITY PROSECUTOR

August 3, 1978

J. Gilbert Deardorff, Staff Asst.
Joint Committee on State Tax Policy
Suite 232
State House
Trenton, New Jersey 08625

Re: Recommendations for Revision
of the "Cap" law

Dear Mr. Deardorff:

In response to your letter of July 6, 1978 concerning the above captioned subject, our recommendations for items to be excluded from the "Cap" law are as follows:

1. Additional needed scheduling of employees or added hours of a service should be excluded from the Cap, even if State approval must be received before accepted.
2. Additional departments created to meet the public need should be outside the Cap, even if State approval must be received before accepting.
3. Capitol improvements should be outside the Cap.
4. Mandated utility increases sanctioned by the BPU should be outside the Cap.
5. Mandated services by State or Federal agencies dealing with new services within our municipality should be outside the Cap.
6. The takeover of any service rendered originally by another government body should be added to our Cap and reduced from the agency being relieved of the responsibility.
7. Any wage increase mandated by arbitrator award in excess of 5%, the excess should be outside the Cap.

8. All terminal leave payments for all city employees should be excluded from the Cap. It is very difficult to replace personnel when you have to budget twice for the same services.
9. Overtime, when required for emergencies such as snow removal, hurricane damage or other natural disasters, should be excluded from the Cap.

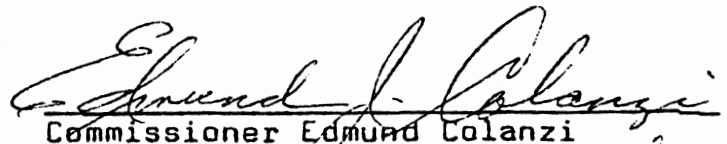
We ask that you please give the above recommendations your attention and consideration, and we thank you for the opportunity to make these recommendations.

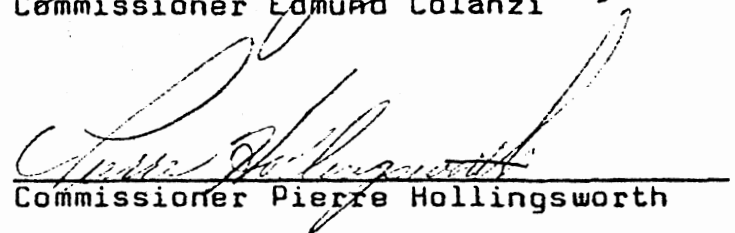
If you desire any further comment from us on any of the above, please feel free to contact us.

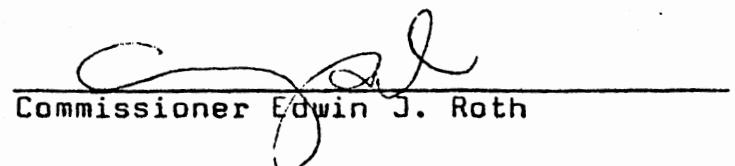
Very truly yours,



Mayor Joseph Lazarow

Commissioner Horace J. Bryant, Jr.

Commissioner Edmund Colanizi

Commissioner Pierre Hollingsworth

Commissioner Edwin J. Roth

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