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S U M M A R Y

of

ASSEMBLY TAXATION COMMITTEE
Public Hearing on

Governor's Tax Reform Bills

May 31, 1972
Hunterdon Central High School
Flemington, New Jersey

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

ASSEMBLY TAXATION COMMITTEE

MEMBERS PRESENT

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

ASSEMBLYMAN CHESTER APY
District 5B (Monmouth)

ASSEMBLYMAN WALTER E. FORAN
District 6A (Hunterdon, Part of Mercer)

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

ASSEMBLYMAN JAMES T. MANCINI
District 4A (Part of Ocean)

ASSEMBLYMAN JAMES P. VREELAND
District 10B (Part of Morris)

Also present:

SENATOR WILLIAM E. SCHLUTER
District 6A (Hunterdon, Part of Mercer)
Vice Chairman, Senate Revenue, Finance and Taxation Committee)

SENATOR WAYNE DUMONT, JR.
District 15 (Warren, Sussex)
Chairman, Senate Education Committee

ASSEMBLYMAN KARL WEIDEL
District 6A (Hunterdon, Part of Mercer)



LIST OF SPEAKERS

1. Philip H. Mowery,
Member of the Tax Policy Committee
2. Phillip Alampi,
Secretary of Agriculture
3. Mrs. Anne Hammond,
President, League of Women Voters of Hopewell Valley
4. Mr. Donald Singleton,
Resident of Hoboken (Hudson County)
5. Mr. F. C. Orechio,
Superintendent of Readington Township Schools and
Member of Hunterdon Central Articulation Committee
6. Mrs. Malcolm Lowenhaupt,
Resident of Plainfield (Union County)
7. Ms. Susan Hillier,
Resident of Princeton Township (Mercer County)
8. Mr. Robert Goordman,
Resident of Hackettstown (Warren County) and
Chairman of GRIT (Group for Repeal of Inequitable
Taxation)
9. Mr. Phillip L. Pittore,
Mayor of Lambertville (Hunterdon County)
10. Mr. Floyd Merchant,
Member of the Board of Directors of the Federation
of New Jersey Taxpayers
11. Mrs. William Fairbanks,
Resident of Montgomery Township (Somerset County)
and a member of the League of Women Voters
12. Mr. Charles Van Hise,
Resident of Bridgewater Township (Somerset County)
13. Mr. Joseph Palka
14. Senator Wayne Dumont, Jr.
District 15 (Warren, Sussex)
Chairman, Senate Education Committee
15. Mr. Joseph Buchanc,
Resident of Manville (Somerset County)

Introduction: ASSEMBLYMAN EUGENE J. BEDELL, Chairman
Assembly Taxation Committee

The purpose of our hearings throughout the State is not to defend or answer questions regarding the New Jersey Tax Policy Committee or the Governor's legislative tax reform package. Our purpose is to hear the views of this State's citizens so that we might better respond to the legislation to be voted upon.

1. PHILIP H. MOWERY, Member of the Tax Policy Committee

I am here to voice support for the Tax Policy Committee's recommendations and say that I am 100% behind them, although I do have some difficulties with certain recommendations.

Assemblyman Apy: Mr. Mowery, could you tell the audience what background you brought to the Tax Policy Committee.

Mr. Mowery: I was appointed as one who represents the agricultural interests of the State and was recommended to the Governor by Assemblyman Foran, my district assemblyman.

Assemblyman Apy: Have you studied the Governor's modifications, and, if so, what is your reaction to them or the bills implementing the Governor's program?

Mr. Mowery: I understand the Governor only had questions on four or five of our recommendations. I am especially for implementation of the farmland assessment reform. This is definitely an area that needs reform. I have misgivings about abuses of the farmland assessment law by speculators, and this law should have very tight qualifications so that landowners who are not farmers do not achieve farm land assessment benefits.

Half the land in West Amwell Township is eligible for a reduced assessment, but I doubt if there are ten bona fide farmers in West Amwell. However, farm organizations supported the Tax Policy Committee's recommendations 100% and also support the Governor's modifications and tax package.

Assemblyman Apy: What is your view on the effect on the real estate value of land in this area if the tax package is implemented?

Mr. Mowery: I really don't know. I am a real estate salesman but not a broker. I do know that high taxes on land prevent the purchase of homes by young married couples. If property taxes were reduced by half, this could possibly open up the housing market, although this could also inflate the market price.

Assemblyman Foran: I wish to add to the record that Mr. Mowery was recommended by the Hunterdon, Sussex and Warren County boards of agriculture to serve on the Tax Policy Committee as a representative of agriculture in this State.

2. PHILLIP ALAMPI, Secretary of Agriculture

Speaking as Secretary of Agriculture and as a member of the State Board of Agriculture, I wholeheartedly support A-1268 (to amend the "Farmland Assessment Act of 1964) and all the other bills in the Governor's tax package for their beneficial affects on the agricultural community of this State.

We need to preserve and maintain farmland in New Jersey and at a high level of productivity. The Department of Agriculture has estimated that the tax reform package will mean farmers will realize \$13- $\frac{1}{4}$ million in property tax reductions and \$500,000.00 in savings on the unincorporated business tax, while paying \$1.5 million income tax. This will amount to a \$12 million net savings to New Jersey farmers.

3. MRS. ANNE HAMMOND, President, League of Women Voters of Hopewell Valley

I am Anne Hammond, President of the League of Women Voters of Hopewell Valley. Our League, along with the other 95 leagues in New Jersey, believes now is the time for tax reform in this State. The local property tax is an unfair tax, and we support those proposals which would lessen dependence on this tax.

Why is the local property tax unfair to the people in Hopewell Valley? It is unfair to our elderly residents in Pennington and Hopewell Boroughs who have worked hard all their lives, paid off their mortgages, and now retired. Although their incomes are drastically reduced, if they want to stay in their homes, they must continue to pay high property tax. Is this a fair and good tax?

During this economic slump, those of our residents who are unfortunate enough to be unemployed for an extended period, have further difficulties because they must continue to keep up their property tax payments if they are to keep their family home. Is this good taxation?

Many residents of our communities also feel that the property tax is the main cause of our now severely overcrowded high school. Last year the voters twice turned down bond issues for a new high school. The defeat of these bond issues is considered by most to be the result of citizens who are fed up with high property taxes and who have no other way to express their concern except by defeating school budgets and bond issues.

I believe it was a survey recently conducted by the Eagleton Institute which showed New Jerseyans overwhelmingly for fair taxation. Can we not agree that fair taxation occurs when those who can afford most, pay most?

I would like to close by commenting on another aspect of tax reform--credibility. People who are skeptical about the proposals have doubts because they do not believe that the property tax will really be reduced or once reduced that it can be held at a low level. It is imperative that an income tax be coupled legislatively with this property tax reduction and that municipal financial obligations be reallocated to the State so that property taxes do not creep up to previous levels. This is the Legislature's challenge--to create a system of fair taxation insuring New Jersey citizens of lasting relief from the evils of high local property tax.

Assemblyman Bedell: Has there been any sampling of public opinion in your areas?

Mrs. Hammond: Yes. The elderly, the unemployed and those residents who were for a school bond all say citizens of this State are tired of high property taxes.

Assemblyman Foran: Do you have any thoughts on the rate limit on any statewide property tax at \$1.00 per \$100.00 valuation.

Mrs. Hammond: Yes. We don't want the tax to creep up. Also, there should be a uniform State assessment rate.

Assemblyman Bedell: You realize that a \$1.00 per \$100.00 statewide property tax rate is only for the State end of financing school cost, and not necessarily what every community will pay for school cost.

4. MR. DONALD SINGLETON, Resident of Hoboken (Hudson County)

I am a resident of Hoboken, a City which has suffered because of our tax system. The property tax is not a true basis of one's ability to pay while the income tax is the best indicator of one's ability to pay. Cities are decaying and people are fleeing from cities. I personally pay \$1500.00 on a one family city home, yet my city has very poor facilities. This is why I believe the Tax Policy Committee's and Governor Cahill's recommendations for tax reform will alleviate the problems of our cities. These reforms place the tax burden fairly on all segments of the State and its residents. I urge you to support the pending tax package.

Assemblyman Bedell: You realize that regardless of this tax program, the Legislature still has to resolve the school crisis raised by the case of Robinson v. Cahill, requiring a revenue source other than real estate to fund the cost of public education in New Jersey. The courts will resolve this crisis if we don't. Now, Mr. Singleton, is this flight from the city you speak of more a social problem than one of a fiscal crisis? We don't want to get false hopes aroused that this problem will be resolved by the tax package.

Mr. Singleton: Yes, I realize this, but under our tax structure Hoboken has to deal with these social problems (fiscally) alone.

Assemblyman Bedell: Do you know how much property is tax exempt in Hoboken? Also, when was the last revaluation of land?

Mr. Singleton: There is a great deal of property exempt in Hoboken. About three years ago Hoboken had a revaluation study of land.

Assemblyman Weidel: Do you believe a reduction of property taxes in our cities will stabilize the population in our cities, and prevent an exodus? Will young people want to settle in cities?

Mr. Singleton: Yes, it will help to stabilize, if not prevent, an exodus. The average citizen will feel a great deal of relief in his property taxes. I think cities should be smaller (in population) and then it will be possible to live in them.

5. MR. F. C. ORECHIO, Superintendent of Readington Township Schools and Member of Hunterdon Central Articulation Committee

Mr. Orechio directed questions to the Committee, which pertained to educational matters. The Committee accepted the questions (listed below), but advised Mr. Orechio to attend a public hearing of the Assembly Education Committee and address his questions to said Committee. All eleven questions pertain to A-1272:

1. What was the involvement of the Commissioner of Education or his staff in the formulation of the Governor's State Tax Package?

2. In connection with item number 4, if the Commissioner of Education can decide on regional variations, in adjusting salaries and expenditures, can he also decide in regional variations on performance in State standardized testing programs? Should a child in Hunterdon County have to score higher than a child in another county for the school systems to be considered equal in quality?

3. In connection with item number 6, is not the effect of this statement to put ultimate power in the hands of the State Legislature rather than in the hands of the Commissioner or School Board of Education?

4. Concerning item number 27, past experience has shown some difficulties on the part of State agencies to meet budgetary time tables. Is reimbursement every eight weeks a realistic expectancy?

5. Concerning item number 27, is the 10% with which a school district begins a school year to be considered an operational cushion or surplus for that operational year?

6. Concerning item number 27, can line accounts be overspent? Do local districts have the capability to meet unexpected contingencies by shifting funds between various line items?

7. Concerning item number 29, is the effect of this statement not to penalize various districts for receiving federal funds? Does not this statement negate federal funds and stifle innovations?

8. Concerning item number 30, what is the form of evaluation to be carried out by the State Department of Education? By whom are evaluations to be made, and what does the word "published" in connection with these evaluations mean?

9. Concerning item number 30, does this mean the Commissioner can arbitrarily allocate more than 120% of his annual promulgated figure to each school district?

10. Concerning item number 46, are differences in capital expenditure and debt services (are differences in plants and facilities) likely to be found unconstitutional?

11. Concerning item number 46, are differences created by Beadleston Act aid likely to be found unconstitutional?

6. MRS. MALCOLM LOWENHAUPT, Resident of Plainfield (Union County)

I wish to speak on the topic of State control of education. I am dreadfully afraid of State control of local affairs if the State assumes the cost of education. Also, I don't know how I will be taxed by this Statewide property tax.

The chairman asked Sidney Glaser, Director of the Division of Taxation to respond.

Mr. Glaser: The \$1.00 tax is a substitute for local taxes on property going to the financing of education.

Mrs. Lowenhaupt: How many people of Hunterdon County, Assemblyman Foran, have read this tax report (referring to copies of the Tax Policy Committee report) and why isn't there a breakdown of property and income taxes under the new proposal in the local newspaper?

Assemblyman Foran: I will have this information for the papers and will also see that readers will be able to notify me of their feelings.

Mrs. Lowenhaupt: I think you (the committee) are rushing matters. Do you understand the tax proposals, let alone us?

Assemblyman Foran: We only have two weeks before these bills will be considered.

Assemblyman Apy: Most people understand that real property taxes will be reduced by 40%, and that there will be an income tax. Now, Mrs. Lowenhaupt, would you subscribe to the program if overall, your taxes went up--say \$200.00?

Mrs. Lowenhaupt: No sir.

Assemblyman Apy: This tax package is aimed at spreading the burden of taxes over three sources; sales, income and property taxes. This is the framework we are working in and we are also working under the mandate of a court decision (Robinson v. Cahill). If this package isn't adopted, we still will need an alternative to raise revenues to educate our children.

Mrs. Lowenhaupt: How about the lottery?

Senator Schluter: We can provide you with a breakdown of the lottery funds and show you that millions are going to finance the cost of education. It's producing 3% of our total State budget.

Assemblyman Bedell: The public may be working under a misconception concerning lottery funds. These funds go to higher education and not public education and they would not and did not lower property taxes. Neither did the sales tax, and now the public has doubts about a personal income tax lowering property taxes.

7. MS. SUSAN HILLIER: Resident of Princeton Township (Mercer County)

I am speaking as an individual homeowner. I support the Sears Tax Policy Committee Report. I support the Governor's tax reform package.

If you compare a house in Flemington with one of equal value in Trenton, you will find that the homeowner in Trenton pays more than 2½ times as much in property taxes than the homeowner in Flemington. This is so obviously unfair and unjust that the court has now concurred that the funding of public education through ever-increasing property taxes is inequitable.

New Jersey stands on the threshold of a new era--an opportunity to implement a tax system based on one's ability to pay--a broad base income tax. The property tax is strangling our cities--it is strangling our senior citizens; many of whom must forfeit their homes in the face of increasing property taxes. It is strangling the young couple trying to start out, and trying to buy a home but always met with an ever-increasing

rent situation. Frankly, it is strangling all people of modest income! Property tax reduction is the single most important ingredient to meeting the housing crisis that we face in New Jersey today. There will be no windfall to landlords--there will be no windfall to businesses. There will be a healthy and long-needed about face in the history of New Jersey's fiscal irresponsibility.

The Flemington area has not yet experienced as rapid a growth as have some areas of New Jersey, with the skyrocketing of property taxes and rent that ensue. This tax package cannot be sold on the basis of what it will save an individual in tax dollars today. Whether an individual's property tax is reduced 1% or 50% is not the key issue. Although this area will not see a drastic reduction in property taxes at this time, we will be saving ourselves from future growing pains. This is not the time or place to go into great detail on this, but I beg of the press to devote as much space as possible to following the story of this tax reform effort, what it means to areas already highly developed, what it means to areas struggling with future master plans and impending rapid growth. The legislators can ill afford to carry this burden. I beg of the press to tell the public who to write and who to call with their questions, be it the local mayor's office, tax assessor, offices in the State House, people for tax reform and provide the telephone numbers and names.

Those of us in Hunterdon and Mercer Counties in District 6A have been very fortunate to be represented by virtually full-time legislators like Assemblyman Foran, Senator Schluter and Assemblyman Weidel.

All of you, our legislators, who are here tonight are at this time devoting full-time to deliberations on tax reform. I support the package, but I have two fears I want to share with you.

The first is the time element. It is imperative that this reform be implemented this summer on a bi-partisan basis before it becomes a political football or a dead duck.

The second fear is fear itself. I saw and heard fear in the testimony given at the public hearings in New Brunswick this afternoon. Fear of big government, fear of government spending, fear of less of local control of schools. In addition, Senator Lipman of Newark has expressed to me the fear of renters that tax relief for renters is a hoax. Basically, I am speaking of fear of corruption on all levels.

I have heard skeptics of all ages, all income brackets and all walks of life seriously say that the tax commission was a hoax, the Governor's report was a hoax and the present deliberations are a hoax. The public image of our State government, State leaders and unfortunately of our State legislators is very poor.

I personally know that you are a fine group of men who have been struggling, are struggling and will continue to struggle in good faith for a tax structure that is more equitable, elastic and progressive in every way. The magnitude

of work and challenge before you is overwhelming. I have faith that you will legislate tax reform before the close of the summer session. Please prove the skeptics wrong! Please do not let me down!

8. MR. ROBERT GOORDMAN, Resident of Hackettstown (Warren County) and Chairman of GRIT (Group for Repeal of Inequitable Taxation)

Mr. Goordman spoke to the Committee on the need to eliminate all property taxes in this State as they are by nature regressive taxes. In their place and as a means of raising revenue, he urged the Committee to substitute a State personal income tax pegged at 22% of the federal income tax. Besides being a more equitable and elastic tax, it is much easier to administer. In addition, Mr. Goordman warned the Committee that a State property tax could suffer in the hands of the court the same fate as the local property tax as a means of financing education. This would result in another blow to State sovereignty.

9. MR. PHILLIP L. PITTORE, Mayor of Lambertville (Hunterdon County)

As Director of Revenue & Finance for the City of Lambertville for the past four years, I have been closely associated with the problems created for our community by the present tax system of heavy reliance on the property tax to support the local school system. Lambertville, a community of approximately 4,500 residents currently has an effective tax rate which ranks the 31st highest of the 567 taxing districts in this State. Its effective school tax rate is the ninth

highest in the State. Stating this in dollars and cents, for every dollar collected in our community of property tax, \$.77 goes to finance school cost, with \$.10 going for county assessments and approximately \$.03 to cover veterans and senior citizens deductions this leaves the City \$.10 to operate and provide all the essential services needed for the safety and welfare of its citizens. This \$.10 must pay for police, garbage collection, fire protection, street repairs and so forth. Gentlemen, as can readily be seen, this necessitates taken care of only the bare essentials--no provisions can be made for capital improvements and other expanded and improved services so sorely needed and of necessities neglected over the past years due to lack of funds.

The present confiscatory school tax on the property owner has created immense financial problems for our senior citizens. These people make up approximately 18-20% of the population of our community--consider their plight--they are being faced and forced to contribute to every increasing school cost on a fixed income. Many of them are now in danger of losing homes which they have worked a lifetime to acquire.

Also let us look at the plight of the schools. The children of our area are denied the so called "equal education for all" provision of the State Constitution. Because of the high taxes and the fact that new ratables in our community can only be limited due to the lack of land for large commercial or industrial development--it of necessity must curtail expansion

of the curriculum in the schools which now barely meet State requirements. We are currently being pressured by the State Department of Education to expand our present facilities at SR high school, which I am sure local voters will never approve until a new method of financing is found. Our high school district has only approximately $\frac{1}{2}$ the ratable behind each student as does Hunterdon Central. Consequently, the children of Hunterdon Central district are afforded more variety and opportunities in curriculum than those of S.H.R.H.S.

We in Lambertville do not want additional taxes. We are now tax poor. What we do want is tax reform where the burden of taxes can be placed on those most able to pay. Therefore, I feel our only solution at this time is the adoption of that portion of the Governor's Report covering the imposition of a statewide income tax and property tax to finance total school cost. This must be done with the assurance that there will be a corresponding decrease in the present property tax. In addition, the Legislature should impose a ceiling on the property tax to safeguard property owners from future escalation of this tax.

Lambertville property owners cannot continue on the present course of supporting ever-increasing school cost with the current property tax. The ultimate result for our City will be bankruptcy. The need is urgent and I ask the Legislature to act immediately on this crucial problem. Thank you.

10. MR. FLOYD MERCHANT, Member of the Board of Directors
of the Federation of New Jersey
Taxpayers

Mr. Chairman, I am here on behalf of the Federation of New Jersey Taxpayers and speaking about Hunterdon County. Hunterdon's residents have experienced an increase in expenses and need a sense of security regarding property taxes. However, the \$1.00 proposed limit on the statewide property tax offers a false sense of security and the 40% reduction in property taxes will not materialize. Even so, the State budget has doubled so that even a rollback to 40% will put us only at the property tax level of two years ago-- in dollar terms.

The sales tax was supposed to hold down property taxes; now you want an income tax for the same reason. Why not put a limit on the income tax, or allow for a referendum to see if the voters want it. Why not go for real tax reform, such as assigning a rollback to tax to those who want a subdivision for land development and speculate on land? Or, cut State spending, cut welfare spending, stop spending seed money on experimental and way-out projects.

11. MRS. WILLIAM FAIRBANKS, Resident of Montgomery Township
(Somerset County)

Speaking as a resident of Montgomery Township, I believe the property tax is the most inequitable tax there is. Only a few States derive more revenue from the property

tax than New Jersey. It is unfair to the old and young alike and distorts the use of land. I do praise the scope of the Tax Policy Committee report and favor adoption of the tax package as a whole which would distribute a fair burden of taxes among local, state and federal sources.

12. MR. CHARLES VAN HISE, Resident of Bridgewater Township
(Somerset County)

The Sears report (the Tax Policy Committee report) is not based on the ability of a citizen of this State to pay taxes. This is why we must eliminate the property tax if we are to have real tax reform. Many people are against the property tax. Why not pass legislation banning it. For this reason (the regressivity of the property tax) I consider the Tax Policy Committee's (even with the Governor's modifications) tax package to be regressive.

13. MR. JOSEPH PALKA

I only wish to make one comment to the Committee, that not everyone is for the proposed tax package, such as the State AFL-CIO. This tax package is being sold in the same manner as the other taxes we have, such as the sales tax and lottery (the lottery as a revenue source for education expenses). I am against the proposed tax package for four reasons:

1. it contains discriminatory taxes;
2. they are different ratios on the property tax;
3. not everyone will benefit by a reduction in property taxes;

4. education equality is negated by allowing towns to support education beyond State revenue.

This tax package will be rejected by the voters of this State at election time.

14. SENATOR WAYNE DUMONT, JR.

Mr. Chairman and members of the Committee, I will try to make this relatively brief because it's late. But there are a few things that have arisen here tonight that I would like to work on for a moment.

In the first place, we're under a court decision which is on appeal to the New Jersey Supreme Court. Not only is it on appeal by virtue of the Attorney General's intervention of the Permanent Commission on State School Support, on which I serve as a member. We have retained attorneys in Newark for the purpose of trying to get a more realistic deadline than the January 1, 1973 deadline which was proposed by Judge Botter saying, in effect, that if the Legislature does not act to provide a new system of financing the school operations by November 15, of this year, that come next January 1st he would terminate minimum aid and save harmless funds, which are both well established principles in New Jersey and which would create chaos if terminated on that date since that is the middle of the school year and not the beginning of one. And monies that have already been certified to school districts have already been voted upon by the people on the second Tuesday

of February this year and included in their budgets for the next school year.

Now we don't believe that the main thrust of these decisions which are coming in one State after another will be reversed on appeal. The only thing we can hope for is a change in the date deadline, because there isn't any question but that the Supreme Court of the United States, and I think all of the appellate courts, will uphold these decisions from down below on the basis that so far as many can provide, we know it cannot alone provide, but so far as it can provide for quality education, that money must be distributed on a more or less equal basis, not the way it is today in New Jersey or in other States.

Concerning the figures that Mr. Deardorf quoted in regard to the income tax, I'm inclined to think he's a little bit high. I agree with the fact that you would have to have rates in order to provide sufficient money alone from an income tax to finance school operations and other costs that are now provided out of property tax revenues at the local level. We couldn't possibly do it because the income tax at half the New York, 1 to 7% on incomes up to \$25,000, is only designed to produce \$550 million a year. Now it has taken the New York income tax 50 years to get to its present level of rates, 2 to 15%. We could be there, even assuming we started at half the New York rate, we could be there in two years.

This is one of the reasons why I shall oppose with my vote a personal income tax in New Jersey under any circumstances.

Now, secondly, with respect to the farmland assessment act, Mr. Merchant knows, because I've gone over this with him and his group numerous times, that the only time the farmland assessment act rollback applies--and I happen to be the only sponsor of this act left in the Legislature--the only time it applies is when the land use is changing, not necessarily when a sale occurs, but from agriculture or horticulture to some other use. And the rollback provisions are laid down in rules and regulations by the Director of the Division of Taxation who is here tonight, Sidney Glaser, and it's up to the local assessors and collectors and governing bodies to follow those rules with respect to collecting the rollback.

Finally, I would say that we, of course, under the court decision have to change the system of financing the operation of the public schools from what it is at the present time. One method of doing that is by a statewide property tax alone. That is the method which I shall favor at least with my own vote in respect to changing the system and providing for a replacement of all of the money that now goes out of the local property tax for school operations.

And I might add that this bill which you are about to consider in the Assembly, A-1272, which provides that the State take over the schools, which we spent all day considering in Trenton today, does not provide sufficient monies for transpor-

tation of pupils is covered under the definition of current operating expenses, or current expenses in the bill. And we believe, on the State School Support Commission, that transportation ought to be treated as a separate item, that it is not the same as other current expenses, that if it is not properly handled by full funding out of the State--having cost about \$8 million more than the State presently expends on transportation in the course of a year--if it is not properly and separately handled, aside from other operating expenses of the schools that it will result in a lessening of the aid from the State over-all, with the State paying for all of the costs of education, rather than reimbursement or certainly any increase.

So that there are corrections and amendments that we shall propose to that bill, numerous amendments, before we would be in a position to consider its passage.

I am sure you will find the same thing true in many of the tax bills that you are considering.

Thank you very much and I appreciate the opportunity to be heard.

Assemblyman Bedell: Thank you very much, Senator.

The hour is late; However, in our previous public hearings at this point we have allowed anyone in the general audience who is not scheduled as a speaker to have an opportunity to come before this Committee and have their say, so to speak. If there is anyone who desires to do so, we will be very happy

to hear from you now.

15. MR. JOSEPH BUCHANC, Resident of Manville (Somerset County)

I am against the income tax. It has failed in other States and the ability to pay an income tax will soon be depleted.

Statement of Phillip Alampi
Secretary of Agriculture, on behalf of
the New Jersey State Board of Agriculture at
Assembly Tax Hearing on May 31, 1972 at
Flemington, New Jersey

Members of the Assembly Taxation Policy Hearing Committee, I am Phillip Alampi, New Jersey Secretary of Agriculture and I am here representing the New Jersey State Board of Agriculture.

The New Jersey Tax Policy Committee and Governor William T. Cahill are to be commended for their in-depth analysis of the tax problems in New Jersey and their comprehensive programs of recommendations developed to achieve a reasoned, balanced tax structure for local and State government.

Their goals and recommendations directed to a reform and restructure of the tax system to provide significant, lasting relief to property taxpayers; to redistribute the tax burden according to ability to pay; and to provide a balanced and equitable tax system to meet the needs of efficient local and State government are most laudable.

Overall, the major general tax recommendations will have a sizable, positive economic effect on agriculture. The following figures clearly substantiate this conclusion:

<u>Proposal</u>	<u>Estimated Dollar Impact</u>
Property tax reform <u>1/</u>	\$ 13,737,000. reduction
Elimination of unincorporated business tax	571,000. reduction
Graduated personal income tax <u>2/</u>	1,437,000. increase
Elimination of sales and use tax exemption on certain business services	147,000. increase
Net change in above taxes to be paid by New Jersey farmers	\$ 12,724,000. reduction <u>2/</u>

1/ Assumes that the proposed State property tax is to be administered in the same manner as the present local property tax.

2/ Does not include estimate of capital gains tax payable from sale of farm and other assets.

In particular, the significant reduction in farm real estate taxes is timely and deserving since agriculture has been historically plagued by the inequity of over-reliance on the property tax. In 1970, New Jersey farmers continued to pay the highest property tax per acre, \$20.78, of any State in the United States. And realized net farm income per farm for 1971 as reported by the U.S. Department of Agriculture, averaged only \$5,121. which results after the deduction of property taxes per farm of an average of \$2,452.

However, a further major focal point is the type of measure to be used to positively insure a continuing lessened reliance on the property tax. We believe such a position can only be assured by providing a State Constitutional guarantee to this effect.

The issue of replacement taxes is made less crucial and controversial by permanent reduction in the property tax as guaranteed above. Since it is proposed that the State finance a number of major costs now largely borne by the local property tax, additional State revenue measures must be enacted. We are in accord with the recommended replacement taxes. They are necessary to provide both essential revenue and a balanced and equitable tax structure.

More specific to agriculture, though, is the farmland assessment program. As Governor Cahill said, "New Jersey is appropriately known throughout the country as the 'Garden State.' We are also the most densely populated State in the Union. These diverse characteristics compel a most careful consideration of proposals affecting the delicate balance of land use and the ecology.

"The Farmland Assessment Act has been relatively successful in encouraging open lands through tax relief. Advantages in the preferential assessment of qualifying farm property accrue not only to the owner but, more importantly to the environment of the entire State by the preservation of farmlands, woodlands, and wetlands.

"I recommend only one basic change in the Farmland Assessment Act. The income requirements to qualify should be changed from \$500. per year for an entire tract of land to \$500. for the first five acres and \$5. for each additional

acre. Woodlands and wetlands should be required to produce 50 cents per acre in excess of five acres.

"In this manner, eligibility requirements will be tightened; however, that act will continue as an effective, viable inducement to preserve our shrinking natural resource of open space."

Thus, Assembly Bill #1268, implements this recommendation with which we are in total accord.

Mr. Chairman and members of the Committee, I appreciate this opportunity to appear before you, on behalf of the State Board of Agriculture, in support of the Governor's Master Plan for Tax Reform. I'll be most happy to answer any questions you may have.

New Jersey Department of Agriculture
Division of Rural Resources

Summary table of the estimated economic impact on agriculture of major proposals of the Governor's "Master Plan for Tax Reform."

Introduction:

Agriculture, based primarily on the use of our lands, has always been severely affected by a tax system which relies heavily on the property tax. For example, in 1970, New Jersey farmers paid the highest farm real estate tax per acre, \$20.78, of any State in the nation. When related to farm income, which for 1971 averaged \$5,121 per farm after deducting estimated property taxes per farm of \$2,451, the overwhelming impact of the property tax on agriculture is realized.

The major legislative proposals to implement the Governor's "Master Plan for Tax Reform" reveal the following estimated economic impact insofar as agriculture is concerned:

<u>Proposal</u>	<u>Estimated Dollar Impact</u>
Property tax reform <u>1/</u>	\$ 13,737,000. reduction
Elimination of unincorporated business tax	571,000. reduction
Graduated personal income tax <u>2/</u>	1,437,000. increase
Elimination of sales and use tax exemptions on legal, auditing and management services	147,000. increase
<hr/>	
Net change in taxes to be paid by New Jersey farmers due to these proposals.	\$ 12,724,000. reduction <u>2/</u>

1/ Assumes that the proposed State property tax is to be administered in the same manner as the present local property tax.

2/ Does not include estimate of capital gains tax payable from sale of farm and other assets.

ESTIMATED TAX REDUCTION FOR FARMERS WITH
REPEAL OF UNINCORPORATED BUSINESS TAX

<u>Economic Class</u>	<u>Gross Farm Receipts (000) <u>1/</u></u>	<u>Tax Rate</u>	<u>Tax</u>
I	\$180,320	1/4 of 1%	\$450,800
II	44,631	" " "	108,575
III	16,672	" " "	41,680
IV	7,952	" " "	19,880
V	3,838	" " "	<u>2/</u>
VI	2,822	" " "	<u>2/</u>
Adjustment for Farm Corporations <u>3/</u>			- 49,675
Total			\$571,260

1/ Includes cash receipts and government payments.

2/ Under \$5,000 cash receipts and therefore exempt from the tax.

3/ Based on U.S.D.A. data, showing in Northeast, farm corporations had 8% of gross farm sales in 1968.

ESTIMATED STATE PERSONAL INCOME TAX PAYABLE BY FARMERS *
 BASED ON THE NEW JERSEY TAX POLICY COMMITTEE PROPOSAL

Economic Class (Farm Products Sold)	1969 # Farms	Gross Farm Income 1/ (\$ million)	% Gross to Net 2/	Per Farm			Income Tax 5/	Total Farm Income Tax
				Net Farm Income 3/	Off-Farm Income 4/	Total Income		
I \$ 40,000 up	1,403	\$ 180.3	11.8	\$15,166	\$ 6,746	\$21,912	\$642.50	\$901,428
II 20,000-39,999	1,281	44.6	14.9	5,191	4,072	9,263	103.50	132,584
III 10,000-19,999	963	16.7	14.1	2,441	4,013	6,454	39.50	36,972
IV 5,000- 9,999	912	8.0	4.2	366	5,794	6,160	33.50	30,552
V 2,500- 4,999	1,082	3.8	-	-	6,353	6,353	37.50	40,575
VI 50- 2,499	2,852	2.8	-	-	9,247	9,247	103.50	295,182
TOTAL	8,493	\$256.5						\$1,437,293

*Relates only to annual income; no provision made for capital gains.

- 1/ 1969 data identical to years 1967-1970; includes cash receipts, government payments and value of home consumption.
- 2/ Based on relationship shown in 1969 Census and 1969 U.S.D.A. Farm Income reports.
- 3/ Economic Class V and VI farm expenses allowed only to extent of farm income.
- 4/ 1970 U.S. average adjusted by ratio of per capita income U.S. to N.J.
- 5/ Based on committee income tax proposal.

Income Taxes Payable Based on
Proposals of New Jersey Tax Policy Committee

Adjusted Gross Income <u>1/</u>	Taxable Income <u>2/</u>	Size of Household			
		2 Income	3 Tax	4 Proposed	5
\$ 4,000	3,400	\$ 18	\$ 3	\$ -	\$ -
5,000	4,250	35	20	5	-
6,000	5,100	53	38	23	8
7,000	5,950	74	59	44	29
8,000	6,800	95	80	65	50
9,000	7,750	123	108	93	78
10,000	8,500	145	130	115	100
11,000	9,350	173	158	143	128
12,000	10,200	230	187	172	157
13,000	11,050	232	217	202	187
14,000	12,000	270	255	240	225
15,000	13,000	310	295	280	265
16,000	14,000	355	340	325	310
17,000	15,000	400	385	370	355
18,000	16,000	450	435	420	405
19,000	17,000	500	485	470	455
20,000	18,000	555	440	525	510
22,000	20,000	670	655	640	625
24,000	22,000	795	780	765	750
26,000	24,000	930	915	900	885
28,000	26,000	1,075	1,060	1,045	1,030
30,000	28,000	1,225	1,210	1,195	1,180
32,000	30,000	1,375	1,360	1,345	1,330
34,000	32,000	1,535	1,520	1,505	1,490
36,000	34,000	1,695	1,680	1,665	1,650
38,000	36,000	1,855	1,840	1,825	1,810
40,000	38,000	2,015	2,000	1,985	1,970

1/ Gross Income minus certain deductions (i.e. business expenses) as authorized by I.R.S.

2/ Adjusted Gross Income minus the lesser of a 15% or \$2,000 standard deduction.

NEW JERSEY FARM REAL ESTATE TAXES BY COUNTY:
ACTUAL 1971 AND N.J. TAX POLICY COMMITTEE ADJUSTED 1971 ^{1/}

County	Amount of Tax in Thousands			
	1971	N.J.T.P.C. Adj. 1971	Difference	Percent Reduction
Atlantic	\$ 1,004	\$ 435	\$ 569	57
Bergen	480	363	117	24
Burlington	2,765	1,188	1,577	57
Camden	698	287	411	59
Cape May	122	51	71	58
Cumberland	2,255	1,159	1,096	49
Essex	116	89	27	24

Gloucester	2,290	954	1,336	58
Hudson	-	-	-	-
Hunterdon	3,704	2,188	1,516	41
Mercer	1,701	1,111	590	35
Middlesex	1,409	827	582	41
Monmouth	3,873	2,049	1,824	47
Morris	1,453	917	536	37

Ocean	708	349	359	51
Passaic	115	79	36	31
Salem	1,353	537	816	60
Somerset	2,529	1,726	803	32
Sussex	2,086	1,374	712	34
Union	77	50	27	35
Warren	1,837	1,105	732	40

State Total	\$30,575	\$16,838	\$13,737	44.9

^{1/} Farm (3A+3B) assessment data from Division of Taxation; tax rates for 1971 and Adj. 1971 from New Jersey Tax Policy Committee Appendix S-1A.

Difference in totals due to rounding.

NEWS

NEW JERSEY DEPARTMENT OF AGRICULTURE

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R E L E A S E

AGRICULTURE BOARD
SUPPORTS TAX MESSAGE

Release: immediate

Trenton, N.J., May 18 --- In a joint statement Edward V. Lipman, president of the State Board of Agriculture, and Phillip Alampi, New Jersey Secretary of Agriculture, expressed appreciation of Governor William T. Cahill's tax reform message today.

"We wholeheartedly support the Governor's proposals for substantial reduction in the real estate tax, the constitutional limitation on a statewide property tax, adoption of a state income tax and for the Governor's recommendations concerning the farmland assessment act," the two agricultural leaders said.

They indicated that they believed the agricultural community as a whole would back the Governor's message.

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5/18/72

