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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
Rutgers University
New Brunswick, New Jersey
Scott Hall 123

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

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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 J. MANCINI
District 4A (Part of Ocean)

ASSEMBLYMAN STEVEN P. PERSKIE
District 2 (Atlantic)

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

LIST OF SPEAKERS

1. Governor Alfred E. Driscoll
Member of Tax Policy Committee
2. Mayor Patricia Q. Sheehan
Member of Tax Policy Committee
City of New Brunswick
3. Mr. Robert K. Haelig
On behalf of Stephen Szymanski, Vice President
Middlesex County Council of Republican Elected Officials
4. Mr. David Dupuell
5. Mr. Robert N. Wilentz
Member of Tax Policy Committee
6. Mrs. Helen Ver Strate
Madison Township
7. Mrs. Carol Merle
Madison Township
8. Mr. Derben W. Bartholomew
9. Mrs. R. Van Sweringen
City of Plainfield
10. Mr. Robert F. Jambor
City of New Brunswick

1. GOVERNOR ALFRED E. DRISCOLL

(Summary of remarks)

1. Endorsed Governor Cahill's tax reform proposals.
2. Expressed approval for the proposal for a constitutional provision to insure that a reduction in property tax means just that.
3. Characterized the present tax laws in New Jersey as unfair, dishonest, wasteful and a burden on low and middle income families.
4. Indicated that presently citizens are encouraged to become homeowners, and then are faced with a tax burden which results in the loss of homes and savings.
5. Stated that the reforms may not be perfect, but can be amended as time goes by and experience is gained.
6. Believed that tax reform will enable the state to achieve fiscal solvency and provide the state with an equitable, flexible tax structure.
7. Stated that his own studies show no windfall to business under the reform except in the cities where it is necessary to keep business from moving out.
8. Felt that present taxation on homeowners resulted in disgruntled citizens and non-believers in government.
9. Endorsed the state takeover of the costs of welfare, courts and prosecutors.
10. Believed the flight from the cities would be slowed with the tax reform and block grants, but said more money would be needed

by the cities than is contemplated under the reform, along with more controls on its use. Felt that cities should be made more pleasant for living and should not be abandoned.

11. Discussed the work of the Tax Policy Committee and indicated that he was satisfied with the input to the committee.

2. MAYOR PATRICIA Q. SHEEHAN

(Full Statement)

Governor Cahill's tax reform program is a major step in providing New Jersey with an equitable and just tax. As a Mayor of an urban center, and as a member of the Governor's tax reform committee, I wholeheartedly support this program. I know how much this will do for the future of cities like New Brunswick. This tax reform program will readjust our present tax structure to make it fairer to our homeowners who have so far carried the larger share of the tax burden. I can support this program in good conscience because it takes into account no special interests but only the interests of all taxpayers. It will more equitably divide the revenue sources among the urban and suburban communities, it will bring homeowners and apartment dwellers the relief that they have for so long sought and deserve.

For our urban centers this tax program is the first significant ray of hope to come along in a long time, and I hope that it will get the necessary legislative support to become a reality. The Governor's proposed \$100,000,000. municipal aid program is the kind of program that every Mayor and city resident has been wishing for. It will provide us with funds from the State, but with the freedom to use the funds as we think most beneficial for our communities. This would be a grant of money, that would help our cities while preserving our local control.

Most significant for us in New Brunswick, is the Governor's proposed \$13.5 million program of State payment in lieu of taxes to municipalities where state facilities are located. I have been fighting for such legislation ever since I was first elected Mayor. I think that this is an extremely crucial part of the tax program because it will finally rectify an injustice that has been carried by New Brunswick, and other cities with state institutions, for too long. We have had to petition the State every year to receive a larger payment in lieu of taxes. We had to plead before appropriation committees for money that had always been rightfully ours. This part of the Governor's tax reform program will finally eliminate this gross injustice and provide cities like New Brunswick with a fair payment in lieu of taxes. For us, as home of Rutgers-The State University, this represents a sizeable new source of income and it should help us alleviate the burden to our local taxpayers.

The local taxpayer's largest portion of taxes goes to the support of schools and education. This applies to all communities in our State urban and suburban. Any relief in this area is relief to all of us. Recently New Jersey courts have ruled that local property taxes can no longer be used to support the educational process, that state-wide revenues must be used for this purpose. The Governor's tax reform program will do just that as part of the overall tax reform package.

These are some of the reasons why as a Mayor of an urban community I support this tax program. As a citizen and taxpayer I realize the tremendous burden that the real estate tax has been for so long to our residents. This is why we all have a stake in this program, and why we must persuade our state legislators of the crucial need for this reform. For an average New Brunswick family of four, the governor's program would alter the tax picture radically. If they live in a house assessed at \$10,000., which most of our homes are assessed between \$9,000. and \$10,000., the real estate tax is presently \$870. Under the new tax program it would drop to \$458., a reduction of \$412. After the proposed income tax, the family, if it earns \$10,000. would wind up with a net saving of \$313. If the income is \$15,000. the saving would be 172, if the income is 20,000 it would cost \$8 in additional taxes. The significant element here is not only the net saving, but also the fact that with some of the tax burden placed on income rather than property, the tax becomes more equitable and more progressive.

As a member of the Governor's tax reform policy commission, I worked towards the formulation of this program. The commission has always had, as its goal, the welfare of all citizens and segments of our society, most particularly the significant reduction in property tax. While giving relief to landlords, we have not forgotten the apartment dwellers.

They will be entitled to a share of the benefits of lower real estate taxes through deductions on their income tax and a requirement that they enjoy a share of the money saved by landlords on real estate taxes. This program will benefit suburbs and cities alike. It will relieve from the local tax base the costs of welfare and courts. This represents a considerable amount of funds that will be able to be channeled for other purposes.

This proposal deserves the support of everyone, because the time for tax reform is now. We have before the legislature a program that is fair and just, and it must be passed if we are going to see our cities survive. We need this tax reform to reverse the flight from our cities and to give urban centers an equal base from which to compete. Our cities have always been our vital centers of trade, culture, education and commerce. We want them to continue in this important role, but we can only continue if some of the past injustices are rectified and, we are given financial breathing space in which to operate. The Governor's tax reform proposal will give us this chance. This program can only be described as an opportunity for us in the cities to match the demands of our services with an equal input of revenues. We have accepted the challenges of the urban centers, because we think that they are vital to the future of our country, all that we have asked is for a just tax base. This program is the opportunity that we have been working for and I hope that it will be supported by our legislature.

APPENDIX - Same 4 Member Family.

WOODBIDGE - Largest community in our County of Middlesex.

WOODBIDGE

Homes assessed at \$10,000. tax drops from \$766 to \$503. With income of \$10,000. after tax, net saving is \$163., with income of \$15,000. net saving is \$23.00

Homes assessed at \$20,000. tax drops from \$1532. to \$1,006, with income of \$15,000. after taxes, net saving is \$286., with income of \$20,000., net saving is \$106.

EAST BRUNSWICK

Homes assessed at \$10,000. tax drops from \$933 to \$530. With income of \$10,000. after tax, net saving is \$303;, with income of \$15,000. net saving is \$163.00.

Homes assessed at \$20,000. tax drops from \$1,886 to \$1,060, with income of \$15,000. after taxes net saving is \$566, ; with income of \$20,000., net saving is \$386.

MADISON TOWNSHIP

Homes assessed at \$10,000. tax drops from \$881 to \$448. With income of \$10,000. after tax, net saving is \$333. With income of \$15,000. after tax, net saving is \$193.00.

Homes assessed at \$20,000 tax drops from \$1,762 to \$896, with income of \$15,000. after taxes, net saving is \$626; with income of \$20,000., net saving is \$446.00.

Replies to questions from the committee:

1. Indicated that one-third of New Brunswick tax ratables are tax exempt.

2. Stated that New Brunswick is undergoing a revaluation now and the last one was in 1968.

3. MR. ROBERT K. HAELIG FOR STEPHEN SZYMANSKI

(Full Statement)

Mr. Chairman, Members of the Committee:

My name is Stephen Szymanski. I am a local councilman in the borough of South Plainfield and I am the Vice President of the Middlesex County Council of Republican Elected Officials.

My remarks are offered here today in behalf of the Middlesex County Republican Organization.

The Republican Organization supports a fundamental reform of New Jersey's antiquated tax structure, with certain very specific reservations.

These reservations are as follows:

- Reliance on the burdensome local property tax should be substantially reduced and a CONSTITUTIONAL LIMITATION on local property taxes should be implemented as part of any tax reform package to give credibility to the whole program.

- The key beneficiaries of any tax reform program should be those whose TOTAL tax burden is currently much too high - namely; homeowners with families, senior citizens, people on fixed incomes, etc.

- The tax reform program should be responsive to the current and future economic needs of all of the citizens of the communities of New Jersey.

The cornerstone of any tax reform program in New Jersey is a constitutional guarantee against an unchecked series of property tax increases after the reform program goes into effect.

A guarantee of the kind we are proposing would have the effect of giving the whole program credibility and would insure the support of the public for legitimate tax reform.

Replies to questions from the committee:

1. Believed that the public is confused on the tax reform program, but that the income tax would be accepted by the public if the whole package is approved including the reduction of the property tax.

4. MR. DAVID DUPUELL

(Summary of remarks)

1. Stated that young people are burdened under the present tax system because of the high property taxes in the cities where they can afford to buy homes and the high rents they have to pay due to the property tax.

2. Favored the proposal for a constitutional amendment limiting the state property tax and the provisions for local referendum on tax increases because this allows voters a say in taxation policy.

3. Supported the \$1 limit on the state property tax as a safeguard against a future increase which the people fear.

4. Indicated that tax relief for renters would benefit young people and also senior citizens on a fixed income.

5. Supported tax relief for parents with children in college and believed it would allow students to spend more time studying rather than working.

6. Advocated more aid to the cities and for education in the cities. Said there is a link between crime and inadequate education.

7. Urged that the tax reform be implemented sooner than 1974.

5. MR. ROBERT N. WILENTZ

(Summary of remarks)

1. Stated that if the tax system remains as is, there will be future deficits in budgets as services increase, the property tax will rise and the present regressive system will continue.

2. Pointed out that the Tax Policy Committee aimed at tax reform, not tax relief.

3. Listed as goals of the Tax Policy Committee, a reduction of the property tax, an elastic tax system and a more fair tax system. Said that anyone opposed to the proposals and with no alternatives must be considered as satisfied with the present property tax, possible deficits and the degree of fairness or unfairness of the present system.

4. Asked whether we would rather have the reform of financing education done by the legislature or by the courts. Indicated the Tax Policy Committee proposals had a degree of flexibility which a court plan might not.

5. Indicated that to do away with the state property tax would require an income tax at the New York rates. Stated economists favor a property tax as part of a tax system. Questioned even if a sum equal to the property tax could be raised another way if the money should go into other needs of the State rather than doing away with the property tax or sales tax.

7. Pointed out that if the program were adopted, property taxes would be reduced on an average of 40% and the system would be fairer with the tax geared to ability to pay.

8. Said that the Tax Policy Committee recommended that municipalities regionalize services and that state aid be given for this purpose.

9. Believed the Tax Policy Committee's recommendations would allow government to make decisions about the future.

10. Indicated there may be some doubts as to constitutionality of some provisions of the program with regard to education costs because of the recency of court action in this area. Believed that ability of municipalities to spend one-third more than the basic state grant is constitutional, but beyond that figure there may be a question.

6. MRS. HELEN VER STRATE

(Summary of remarks)

1. Traced the rise in property tax in Madison in the last few years and indicated that the property tax on her \$32,000 home is \$2,100.

2. Pointed out that with little industry the homeowners bore the brunt of the tax burden in rapidly growing Madison and as a result people resist the development of low and moderate income housing.

3. Supported an income tax tied to a reduction in property taxes.

7. MRS. CAROL MERLE

(Summary of remarks)

1. Discussed the burden of the recent rise in the property tax in Madison Township and supported the tax reform proposals.
2. Would support the tax reform even if her total tax figure increased.

8. MR. DERBEN W. BARTHOLOMEW

(Summary of remarks)

1. Expressed support of tax reform program, but didn't believe a system could be created without some discrimination.
2. Believed that municipal taxes will go up after the reform takes effect.
3. Suggested that lottery funds be invested in bonds.
4. Believed the new judges in the 1972 budget are not needed because no fault insurance will reduce court cases.
5. Recommended a state minimum teachers wage which could be supplemented by a vote of local taxpayers.
6. Believed there should be greater accountability for state and federal grants.

9. MRS. R. VAN SWERINGEN

(Summary of remarks)

1. Opposed to a state income tax and the shifting of local funds to the state level for educational purposes. Would rather have local taxes go up under local control. Believed that having state collecting property tax and then returning it to municipalities would result in increased costs for paperwork, office space and personnel.

2. Stated that money is better controlled if kept at the local level. Believed an accumulation of money at the state level would allow greater possibilities of graft and corruption.

3. Indicated that the program is not tax reform, but tax reflow.

4. Said that power must be kept at the local level and that citizens should have the dignity of supporting and controlling their own community. Believed that if control of local money is in Trenton, the result will be a loss of home rule.

10. MR. ROBERT F. JAMBOR

(Summary of remarks)

1. Stated that exodus from cities is not necessarily due to high taxes, but simply because people and industry want more room.

2. Was told by Counsel to the Governor that the income tax as proposed would not apply to New Jersey lottery winnings.

3. Asked why the implementation date was 1974 and was referred to the sponsor of the legislation for an answer.

