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S U M M A R Y

of

ASSEMBLY TAXATION COMMITTEE  
Public Hearing On

Governor's Tax Reform Bills

June 7, 1972  
Fairleigh Dickinson University  
Teaneck, New Jersey  
Becton Hall

(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 CHESTER APY, Vice Chairman  
District 5 B (Part of Monmouth)

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

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

ALSO PRESENT:

Senate Revenue, Finance and Appropriations Committee Members

SENATOR WILLIAM E. SCHLUTER  
District 6A (Hunterdon, Part of Mercer)

SENATOR FRED E. WENDEL  
District 13 (Bergen)

SENATOR WILLIAM J. BATE  
District 14 (Passaic)

ALSO PRESENT:

ASSEMBLYMAN EDWARD H. HYNES  
District 13E (Part of Bergen)



## LIST OF SPEAKERS

1. Mrs. John W. Applegate,  
Maywood
2. Mrs. Virginia Goode,  
Parents for Independent Schools
3. Richard L. Solyom,  
Fort Lee
4. Martin Aranow,  
New Jersey Tenants Organization
5. Robert Hollenbeck, Counsel,  
Borough of Carlstadt
6. John W. Terhune,  
Senior Citizens of Bergen County
7. Herbert Gurland,  
Paramus
8. Alfred J. Greene, Jr., Tax Assessor,  
Clifton City
9. Mrs. William Mercoun, Legislative Chairman,  
Carlstadt East Rutherford Regional Board of Education
10. Arnold Mohn,  
Montvale
11. Genevieve Johnson,  
Saddle River
12. Laird Coates,  
Paterson
13. Edward S. Boylan,  
Associate Professor of Mathematics, Rutgers, Newark
14. Mrs. Lillian Single, President,  
Maywood Taxpayers Association
15. Herbert W. Miller, Vice President,  
Northvale Golden Age Club
16. Irving Steinberg, YMHA Golden Age Club,  
Hacksensack

17. Joseph J. Kroth,  
Tax Accountant
18. Susan Gentle,  
East Rutherford, Movement Against State Takeover
19. Mrs. Thomas Cabany,  
Carlstadt, Movement Against State Takeover
20. Mrs. A. Wolff,  
Carlstadt, Movement Against State Takeover
21. Edgar Simonsen,  
Hackensack
22. Gertrude Schwimmer,  
League of Women Voters of Bergen County
23. Kevin Hanse,  
New Jersey Laundry and Cleaning Institute
24. Stephen Wigod,  
Fair Lawn
25. John Sterback  
Young Americans for Freedom
26. Hannibal Cundari, Vice President,  
Bergenfield Taxpayers Association
27. George J. Aptel,  
Park Ridge
28. Frank J. Oliver,  
The League for Conservation Legislation
29. Bernard Olcott,  
Weehawken
30. Leo Liaskis, Planning Board Member,  
Englewood Cliffs
31. Mrs. Sylvia Rosenblatt,  
Teaneck Taxpayers and Homeowners Association
32. Mr. R. G. Rosslip,  
Saddle River
33. June Zeger,  
Englewood Cliffs

34. James W. Ralph, M.D.  
Demarest
35. Paul Margolis,  
Oradell
36. Harold N. Warsawer,  
Teaneck
37. Richard Colgan,  
Jersey City
38. Issac DeBotton  
Pinebrook



1. MRS. JOHN W. APPLGATE, MAYWOOD

Favors the entire tax package. Sees it as the only way to tax the State's citizens equally. Feels her position is the only one to take if one is not self-seeking.

2. MRS. VIRGINIA GOODE, PARENTS FOR INDEPENDENT SCHOOLS

With regard to the restructuring of the tax system in New Jersey, we would like to offer this proposal as a serious attempt to restore education in our state to practical reality, which any candid observer will admit is not nearly the case today. It deserves a fair, unbiased and impartial hearing.

New Jersey must have a non-compulsory system of education financed without any public funds.

Consider the problems diminished or solved entirely by this concept:

BETTER DECISION. Since no public funds from any state or local source are used, education is taken out of the public realm, therefore nullifying this decision.

LOCAL PROPERTY TAXES. Long a source of irritation, this plan would allow 2/3 of these taxes to remain in the pockets of the home-owner.

SENIOR CITIZEN TAX BURDEN. This over-taxed segment of society could choose to remain in their mortgage-free homes, given a 2/3 reduction in property taxes.

NON-PUBLIC SCHOOL AID. This problem evaporates.

ZONING FOR APARTMENTS. Since the fear of increased local taxes to educate apartment-dwelling children would no longer be a problem, the towns would lessen their reluctance to have this type of housing.

BUSING. Only on a voluntary, self-paying basis.

STATE FISCAL PROBLEMS. Over \$900 million for the 1972-1973 budget for education could go elsewhere.

SEX EDUCATION CONTROVERSY. Those who wish this instruction for their children could choose a school which provides it, those who don't would choose schools which do not.

SPIRALING ADMINISTRATION COSTS. With the elimination of state mandates, fewer administrators would be necessary.

STATE DEPARTMENT OF EDUCATION BUREACRACY would be reduced.

GROWING CONFLICT BETWEEN STATE CONTROL OF CHILDREN AND PARENTS RIGHTS would be eliminated. And most important,

POOR EDUCATION RESULTS. A choice of schools would allow competition to enter the picture which would improve education results at a consistent lowering of costs.

#### HOW WOULD IT WORK?

Each child's education would be paid for by the parents to the school of their choice.

Each of you can estimate the savings to the average homeowner over a lifetime of no taxes for schools, either local or state. Compare this with educating each child from age five to eighteen, or thirteen years of paying tuition. The costs of tuition is considerably less, leaving aside all the other advantages of independent schools.

The following are a few of the means that would be available to underprivileged families unable to finance their children's education:

1. Money borrowed from lending institutions.
2. Loan programs financed by the state similar to those used for college now.
3. Grants provided by Foundations.
4. Schools maintained by charitable agencies, as commonly done for generations.
5. Special education foundations set up voluntarily by industry.
6. Scholarships granted by individual schools.

#### ADVANTAGES

Freedom of choice would be regained as control of education passes from Department of Education to parents.

Competition among schools will improve educational standards and decrease costs.

Economy would be advanced with more money released to be spent by those without children or those whose children are already educated.

Negotiating terms of employment would be met by each school administrator on a value for value basis.

#### DISADVANTAGES

A constitutional amendment would be required.

The bureacracy in the Department of Education would be dissolved and some temporary unemployment would result. Some of these employees could be retained to implement school loan programs.

Mrs. Goode also submitted a proposed consitutional amendment to effectuate the proposals of her organization (see Appendix 1).

In response to questions from the committee, Mrs. Goode indicated that she advocates replacing the public school system with a private system, making due allowances for the under privileged, and would favor changing the State Constitution to allow for this. She feels that people know what is best for their children in this era of mass communication.

3. RICHARD L. SOLYOM, FORT LEE

Mr. Chairman and members of the Committee, my name is Richard Solyom and I speak to you today as a private citizen, resident of Fort Lee.

Today New Jersey finds herself in an unique position - she can continue to tinker and tamper with her revenue collecting system or she can break with the past, initiate a completely new system and lead all states back to fiscal sanity. The decision rests largely with the present Legislature.

The Tax Policy Committee report is nothing but tinkering and tampering. It is more of the same medicine which made us sick in the first place. It tries to provide a tax law for every segment of our society; it tries to legislate equality; it tries to be all things to all people which is an impossibility, therefore it is a failure. It deserves a decent burial - AMEN.

There does exist, however, a form of taxation which, in my opinion, is the most equitable method of collecting revenue ever devised. Again, New Jersey is unique because it was first proposed in 1941 by a New Jersey resident, Mr. Wadsworth W. Mount of Plainfield. It created no excitement in this country at the time but European finance ministers heard of it, adopted it, perverted it and twisted it into what is today in Europe a rebateable national sales tax. And it was this bastardized European monstrosity which Mr. Nixon recently was trying to re-import, back into the United States and impose on us at the National level on top of all present taxes. I refer, of course, to the Value Added Tax.

Now, Vat should not be imposed at the National level without prior trial at the state level. The beauty of our Federation of 50 Sovereign States is that one state can experiment with a new idea without throwing the whole Nation into turmoil. New Jersey is the logical first state to use VAT because Mr. Mount can give advice and assistance.

The Value Added Tax is an American invention but there is a vast difference between Mr. Mount's true form and the European or perverted version. The TRUE form was never intended to be used to subsidize exports. The TRUE form contains no provision for rebatement of taxes nor is one necessary or desirable. The TRUE form is not a rebateable national sales tax!

A true value added tax would be paid by each business unit and by the self-employed, quarterly, on a cash basis, on the difference between total business receipts and total business disbursements paid to outsiders, that is to persons who are not members of the "economic family" under consideration. (This is not the European version which is levied as a sales tax on every transaction at differing rates).

By definition VAT is a tax, applied at the source, on the gross production of new wealth. Since this is a tax on all new wealth produced by the people, levied at the source, with everybody helping, the rate is extremely low. Therefore it is most equitable and efficient only when applied with no exceptions and as a complete substitute for other forms of taxation.

I will not give a detailed explanation at this time of how VAT operates but I have furnished every committee member a copy of previous testimony and a copy of "The Baseball Bat Story" which do explain how VAT works. This "Story" was first used March 24, 1971 by the Honorable T. Coleman Andrews, former Commissioner of Internal Revenue, when he, Mr. Mount and I met with Task Force "D" of the Tax Policy Committee for a three-hour work session on VAT.

What I will do today is propose a marriage - a marriage between VAT and VOUCHERS. Such a union has much to recommend it. VAT can serve as the source of revenue while VOUCHERS can be used as the mechanical means to return money to parents of school-age children only.

We must also recognize, however, that there is danger in advocating VAT and VOUCHERS. Both may be twisted by bureaucrats and politicians into tools to tighten their grip on the educational system. But, with proper safeguards, this combination can be the solution to New Jersey's education-fiscal dilemma.

I assume the committee is fully conversant with the basic principle of education vouchers. Some members may have read the report prepared at the request of O.E.O. by Dr. Christopher Jencks of Harvard. I recommend Dr. Jencks' report as a prime example of how NOT to use vouchers. An in-depth study of Dr. Jencks' report is available to the committee in the published testimony of hearings on S2266 and 2267 held in Trenton November 22, 1971.

The basic idea of vouchers has considerable merit but we must be careful not to let it be used as a means to destroy local school boards. If we adopt the voucher plan it must be used only as a means to distribute funds and not to enhance State powers over education. Local school boards must be strengthened, given more responsibility and re-established as agents of local citizens, not as agents of the State education bureaucracy.

An unregulated voucher system will restore competition in education and give parents a truly free choice in determining their childrens' education. A regulated voucher system, as proposed by Dr. Jencks, will tighten bureaucracy's grip on our school system, will erase school district lines and will pervert education into a tool for social change.

Likewise, VAT has much merit but again it must be used in its TRUE form and as a substitute for all other taxes and not as an additional tax on top of all those we now pay. VAT must be used only as a means to collect revenue. Prohibitory clauses will have to be written into the law to prevent the practice of withholding funds to force compliance with bureaucratic dictates as is being done now at the National level. Proper application of VAT will provide us with the most equitable of all tax systems.

I think I have made my point - if this marriage is to take place it must be between the TRUE form of value added taxation and an unregulated, citizen controlled, voucher system. I suggest this may be done as follows:

Adopt the Value Added Tax as each state's principal, if not sole, source of revenue; the application to be such as to provide a floor to the amount of government and education at the local level. By that I mean to say, most of the funds obtained by the state from value added taxation would be returned to the counties and municipalities on a population basis in an amount sufficient to provide them with something less than a minimum of both government and education. Then each municipality and county would augment or supplement its share with local property taxes, locally administered and collected, in any amount desired. If they want an elaborate, costly educational system and a wasteful local government, let them tax themselves to provide whatever additional is required. The criterion to establish a "minimum of education" is the cost to educate a child in those subjects which prepare an individual for responsible, participating citizenship in a Constitutional Republic based on self-government, private enterprise and individual responsibility.

Vouchers will be used to distribute the state's share of of education funds to parents of school-age children. These vouchers will be issued by locally elected school boards (NOT Educational Voucher Agencies as proposed by Dr. Jencks) and will be valid at any school approved by the local board.

Thus parents will be free to take voucher and child to the school of their choice and every school will charge an additional or "extra" amount to vary depending on elaborateness of educational services provided by each school.

Recent court decisions in California, Texas and New Jersey make it unwise to place complete reliance on property taxes as the principal source of revenue for education. A broader based tax should be used and VAT is the broadest based of all taxes. The New York Times analyzed the California court's decision in an editorial on September 2, 1971. Their concluding remark, as noted in the copy furnished you, reads: "The best solution lies in public education generously supported by the states, without discouraging additional investments by education-minded communities in the betterment of their schools".

Under the system I propose, the level of quality to be attained "by education-minded communities in the betterment of their schools" will be determined by the local school boards (not an E.V.A.) acting in response to parents wishes. The additional amount required to bring each community's system up to whatever standard they desire will be made up by the "extra" amount as determined by the local school board. In other words all taxpayers will pay some part of education's cost while parents with school-age children will pay an "extra" the amount depending on where they send their children. The "extra" for schools within the so-called public school system will be determined by local school boards, that for private schools by the competitive free enterprise system and that for parochial schools by the church.

This method of funding education is a compromise plan whereby society and the individual cooperate to provide education. It will lighten the load on those persons without school-age children who now complain they are being taxed to educate other people's children. It will strengthen home rule by giving each community the right to determine its own educational system's level (above the minimum) and it will give parents the freedom to choose a private or parochial school if they so desire. In effect, the State will be acting as tax collector for the municipalities, collecting part of their revenue for them. This dual responsibility for raising revenue helps prevent either state or local government becoming dominant over the other. It will serve also to keep spending authority closely connected to taxing responsibility and this should bring economy in government.

I sincerely hope this Committee will give more than a passing thought to the basic ideas in this testimony.



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R. L. Solyom      June 1972

Becton Hall  
Fairleigh Dickinson Univ.  
June 7, 1972

Mr. Solyom asked who paid for the advertisement that has appeared in the newspaper in support of the tax reform proposals. The committee indicated that it did not know, and was unaware of any use of public funds for this purpose. In the discussion that followed it was indicated that there was a private organization working for the adoption of the tax reform proposals.

4. MARTIN ARANOW, NEW JERSEY TENANTS ORGANIZATION



*New  
Jersey  
Tenants  
Organization*

P. O. BOX 1142, FORT LEE, NEW JERSEY 07024 (201) 947-9226

STATEMENT OF MARTIN ARANOW, PRESIDENT  
NEW JERSEY TENANTS ORGANIZATION TO  
THE LEGISLATIVE COMMITTEE JUNE 7, 1972

Many newspapers have written articles stating my position regarding the proposed tax package. Comments like, "unqualified support" or, "support with reservations," may or may not adequately describe my thoughts. It is my hope to utilize this forum to clearly delineate my position and recommend possible changes in the proposed legislation before you.

Clearly the present tax structure of this state is confiscatory and unfair. It fosters distrust among people, communities, and counties; it encourages the status quo and prevents orderly growth and expansion of municipalities. In short, it is my opinion that if

the current tax structure continues unchanged, not only will growth continue to be retarded, but I predict it will lead to the financial collapse of small property owners and our smaller suburban municipalities, just as it has already led to the ruin of our urban centers and their homeowners. Everyone recognizes that change is drastically needed. The question is, whether the tax proposals set forth by the Cahill Administration provide the best answer. I would like to address myself to this question both as a person who has given the past 3 years of his life to a principle that government must meet the needs of all the people equitably, as well as the fact that I am a taxpayer in this state.

During the past 3 years, 4 or 5 evenings a week, I have been attending meetings with tenants. They had problems. The tenants and I dealt with these problems on a person to person basis. We talked about their problems with their landlords, their problems with their neighbors, the problems they faced when confronting elected officials, problems with our society and more. Whether in Gloucester or Bergen County people talked about their feelings.

I mention this to you because I have travelled to over 300 New Jersey municipalities and spoken to literally thousands of people. As such I believe I am qualified to speak about their thoughts and convey their feelings.

Within 30 days you and your colleagues may decide the fate of these bills. I myself think that tax reform is so urgently needed that it is imperative for you to know why the people have not responded as positively as you might expect. The people are very aware of the

problems with our present tax structure. But they don't believe what the Administration is telling them for a variety of reasons.

Despite the Governor's own convictions about the need for tax reform, he is a politician. The general public does not trust politicians or politics.

The people do not believe that the income tax is a replacement, in large measure, for the property tax, and that is the backbone of the Administrations proposals.

Another stumbling block to public acceptance is that people do not want to hear about other peoples problems. You cannot tell the people in Englewood Cliffs or Short Hills that what is important to them is the tax relief the citizens of Newark and Passaic will receive.

But mainly the people of this state will not respond to the proposals recommended by the Administration because too many of their questions and doubts remain unanswered. There are many questions on their minds, and until our public officials at least acknowledge the existence of these questions, they will not break down the barriers of skepticism.

There is not the slightest doubt that the citizens of this state feel that State, County, and Municipal governments are wasting money, and that County and Municipal governments have payrolls padded with political hacks in patronage positions that could be eliminated at a savings to the taxpayer. There is not the slightest doubt that we are pouring money down the drain with the duplication of functions from municipality to municipality. Why, people ask, must almost every town have their own police, sanitation, health and building inspectors.

Why can't we regionalize and share, eliminating waste and duplication. Why can't we share the costs with our neighboring towns if the services remain relatively the same? As they begin to recognize the costs of duplication, people will ask why can't the state take over many county functions, so that we can save money there also. Many people are convinced, despite what they are told, that the state is not spending money in the wisest manner. When an elected official comes before the people and tells them, "we've cut the budget as far as we can go," the people respond by saying, "Oh yeah, where is the lottery money being spent?"

In summary, the initial reaction of the people in this state will be, "we are sick of paying taxes—all taxes. Why do we need any more taxes when savings could be obtained from the existing programs?" People feel that Government has not been honest with them and they will not believe what government tells them, because they have not addressed themselves to these questions.

Gentlemen, even if every tax dollar was spent wisely and the state could save 50 million dollars a year, our state budget is now over 2 billion dollars a year. Our population is growing, costs are going up, and the bills must be paid. If the state budget increases by only 50% in the next decade it will amount to 1 billion dollars. Where will we get the money?

The cold facts are that even if all of the waste and political spoils were eliminated from the present tax system, we are still left with a tax structure that is patently unequitable and unfair. Poor people will get poorer and rich people will get richer. Every municipal

government will continue to try and attract the ratables regardless of what effect these ratables will have on their own community services or the services of their neighboring communities. The present tax structure will continue to breed ludicrous planning, chaos, and to make matters worse, will encourage people, and communities to fight each other in the battle for the holy dollar which will drive their property taxes down.

As patently unfair as the property tax is to the homeowner of this state, it is even more unfair to the tenants and senior citizens. The tenants pay increased taxes through the lump sum payment called rent. They receive no deduction, writeoff or tax benefit of any kind. Our senior citizens who own property, if they qualify, receive a \$160.00 tax credit. This tax credit is gradually being eaten away by our inflationary economy and local tax increases. The senior tenant receives nothing. All that the senior tenant and his younger counterparts have to show for their contributions to this state is a cancelled rent check. That to me is unfair.

The Administration's proposals for senior citizens incorporated within the Tax Package are fair and just, and in my opinion are the highlight of the entire package. Those who rent apartments, not only receive deductions for property taxes, but they, will also be able to receive tax credits on their property taxes up to \$500.00. The Administration estimates the cost of this program will increase from approximately \$24 million dollars now spent to \$53 million. This increased figure may be a bit low, but the fact remains, senior citizens are getting the special treatment they deserve. Of particular signifi-

cance is the fact that those elderly citizens whose income is approximately \$3000.00 per year will get significantly more aid than those elderly who have incomes of approximately \$5500.00. That is equitable and that is fair.

As you may know, I was not happy with the Sears Commission report and its treatment of tenants or senior citizens. However, I candidly state that the results of 2 1/2 months negotiations with the Administration has shown significant improvements in the treatment of tenants and senior citizens.

It is important to place the role of the tenant in perspective. Prior to the Administration's proposals, the tenant, the rent payer, received nothing and has been regarded as anything but a taxpayer. The Administrations's proposals give the rent payer equity with the homeowner. He will now be permitted, to deduct from his income tax that portion of his rent that comprises property taxes. (Incidentally, we have been advised by several tax attorneys that when the state mandates landlords to segregate how much of rent is property tax, that the IRS should be approached to permit tenants to deduct the property taxes from Federal returns. They also advise that if the IRS rules negatively, serious consideration should be given to a lawsuit to force this change in the regulations.)

Secondly, the low income tenant, the tenant who does not file itemized returns, will be able to participate in the tax reform. A separate line item was created. In addition to the "Standard Deduction" on the short form, tenants can add "property tax deduction" and receive those benefits also. In other words, every one who is a

tenant will receive some benefit sooner or later from tax reform.

Finally, we have the question of "windfall profits" which could have accrued to the landlord as a result of decreases in his property taxes. Since we have learned that many landlords can not be trusted to rebate this to the tenant, the state's excess gains tax will fulfill this purpose since the excess will be rebated back to the tenant by the state. I do have several questions regarding the excess gains tax which I will discuss later. In all honesty, I felt the Governor made a serious attempt to answer our objections which were raised when the Sears Commission report was issued. The results which we achieved for tenants and senior citizens, if this package passes the legislature, will be a significant victory for tenants in the state.

Prior to concluding my testimony, I would like to address myself to a few possible changes in the legislation.

#### TAXING THE RICH

Under the proposals of the Sears Commission, which were adopted by the Administration, is the plan for a graduated income tax which reaches its highest level of 14% at \$500,000. It occurred to me that perhaps the state can obtain valuable revenues by lowering the 14% rate to \$100,000 of net income. I do not know how much money the state will save with this adjustment, but it appears to me that anyone who has a net taxable income of \$100,000 either has a great deal of outside investments, or a bad accountant.

EXCESS GAINS TAX

Under the Administration's proposals landlords are entitled to retain 25% of the excess gains. The Administration feels that landlords will pay additional personal and corporate taxes, aside from the added expense of administering the tenants property tax information. Certainly this is so, but I question whether or not the expense is 25%. May I respectfully suggest that 10% would be an equitable figure.

CONCLUSION

I sincerely believe that the proposals of the Cahill Administration are necessary for the good of the people of this state. Let me repeat the raw facts; that the budget for New Jersey has more than doubled, and will continue to expand with increasing population and their increasing demand for services. We must find some way to pay the bills without choking the property owner. The question is how. With all of the discussions I have heard and read about it, everyone agrees we will have to spend more and pay more. If this is the case than I return to my earlier questions: "Is the tax package proposed by the Administration the best alternative?" It is the only alternative. We need tax reform and now we can have it. I will support and work for these necessary reforms, because in the long run the people will benefit from them.

Assemblyman Vreeland asked if all the tenants' organizations supported the proposals and he mentioned a letter he had received from a tenants group in Morris County which was opposed to the package.

Mr. Aranow stated that all the tenants' groups were not in favor of the proposals but the letter referred to by Assemblyman Vreeland was written before the Governor submitted his proposals which solved a number of the problems referred to in the letter.

5. ROBERT HOLLENBECK, COUNSEL, BOROUGH OF CARLSTADT

He indicated that the tax **rate** in his municipality will be increased in contrast to the stated intent of the proposed legislation. Despite a large number of senior citizens and efficient local services, their taxes continue to rise. Mr. Hollenbeck expects chaos in his community with enactment of the proposed tax structure, and a similar situation for 30 other communities. The Borough Council of Carlstadt has passed a resolution opposing the tax reform package.

Assemblyman Apy asked what his reaction would be if the proposed tax reform provided for no increase in property taxes.

Mr. Hollenbeck replied that his municipality would have to reassess its opinion of the tax package if it provided that their tax rate would not go up.

6. JOHN W. TERHUNE, SENIOR CITIZENS OF BERGEN COUNTY

Senior citizens are now being obliterated, and are being forced to sell their homes and go into more expensive housing. Senior citizens live in state of apprehension and fear; it is no golden age. The proposed tax package will be of help to senior citizens. Mr.

Terhune opposes the limitations on the excess gains provisions. He pointed out that the United States is the only nation that sees senior citizens turned out of their homes for financial reasons. We are in the eleventh hour. Senior citizens are already foregoing food in order to pay their real estate taxes.

Senator Schluter commented that senior citizens will scrimp just to keep themselves off of welfare and to keep their homes. Mr. Terhune stated that this was true.

Assemblyman Foran explained that the proposed state income tax would basically follow the federal income tax, but there would be state variations such as the senior citizens credit and a college tuition credit.

Assemblyman Apy indicated that the implementation date of the program would be January 1, 1974.

7. HERBERT GURLAND, PARAMUS

I represent no organization, or group or association. However, I feel, in full sincerity, that the thoughts I will shortly submit to you are shared by the majority in New Jersey. It would be the exercise of responsibility for our state representatives to give weight to our thoughts concerning the proposed tax program.

I am unalterably opposed to a New Jersey State income tax!!!  
At present, taxpayers on the average are working straight

through from January to May inclusive to pay all their taxes. It appears now that some people would like us to pay taxes at a rate that will mean our income from January to June will go to tax payments. I submit that goes beyond a tolerable level.

You people must exercise consideration and restraint. You must have a heart!! Don't you realize what spiraling costs have done to our financial burdens? Don't you realize what dire financial straits a good many citizens are in because of ever-strained budgets? Aren't you appreciative of what is required of the average, hard working, tax paying citizen to support a family, to bring up children, to feed them, clothe them, house them, educate them, to pay for medical bills, to keep up homes, etc. How in the world can anyone be in favor of a state income tax on top of a healthy federal income tax, on top of a vastly increased state sales tax, on top of an unreal property tax, on top of excise taxes, on top of gasoline taxes, on top of cigarette taxes, on top of wine taxes, on top of beer taxes, on top of liquor taxes, on top of parking meter tolls, on top of road tolls, on top of business taxes, on top of inheritance taxes, on top of licensing fees ad infinitum. I say enough is enough. Please do not cram this unwanted tax down our throats.

Taxing and taxing causes problems and problems and problems. Look at our neighbors. Take New York State or New York City as examples. These localities seem to be headed for financial bankruptcy because of poor money management, excessive taxation and over-burdening borrowing. Why are so many people and firms fleeing from our neighbors? Why, in nearby Rockland County, have over 300 homes been

repossessed by banks recently because owners were unable to maintain monthly payment commitments? Do you want to start New Jersey down the path taken by New York? This is the time to halt continuing increased taxation.

In the matter of total taxes paid the State of New Jersey ranks above average per capita amongst all the fifty states. Is it the goal of our elected representatives to push us even higher in the matter of total taxes paid? For the sake of our many citizens who today are either suffering, or are on the verge of suffering physically because of high tension financial strains and in memory of the many of our citizens who have passed on because of such strains I ask that you vote against any income tax proposal.

Permit me to make another salient observation. I know and you know and the Governor knows that in 1973 the federal government will consider radical new forms of taxation to help in the matter of oppressive property taxes and to assist further in the costs of education and in considering sharing tax revenues on an increasing scale with the fifty states. Inasmuch as our current budget is balanced, and inasmuch as you have just levied additional state taxes of \$140,000,000.00, wouldn't it be sensible and wise and responsible to wait and see what the Federal Government works out tax-wise? There is no vital need for new state taxes for this year and next year. Please bear in mind that because of the phenomenal growth in New Jersey that the State automatically collects more money year after year without the necessity for continuing to add to our tax structure.

It is felt that increasing taxes increases the number of cheaters. This makes for a tendency to hold the law in poor respect. We are familiar with what goes on amongst the people when taxes become oppressive and much too burdensome. Are you familiar with the cheating that goes on with your state sales tax? Should this be compounded because of the unwanted state income tax? The answers should be an unqualified NO!!

It is beyond the pale of good political acumen to run against the wishes of the people in the coming election years. This is especially so when it is completely unnecessary for elected officials to subject themselves to unfavorable action by their voters. The people do not want new taxes or old officials who vote for them. It is your responsibility to represent the people. I feel right in saying that the majority of people stand against a state income tax. Why go against the wishes of the people? Is this why you were elected? Does it go without challenge that the state income tax is the right thing? Definitely not. This is not the path to follow. We have alternate suggestions.

It appears, even to the casual observer, that there exists in New Jersey amounts of waste, fat, administrative ineptitudes and corruption. The corrections of these conditions will lead to the savings of worthwhile sums that can be used elsewhere or for alleviating the present level of taxation. Why not have these matters corrected before even thinking of increasing taxes? Don't our citizens deserve such improvements? Who here can honestly say that there are no faults within our State?

In addition, the State of New Jersey appears to be remiss in taking advantage of certain Federal Programs that are available to our state. It did not go unnoticed that our Governor went to see Romney to convince him to substitute a new experimental housing program to replace a \$30,000,000.00 program that was available to New Jersey which overlooked its availability until its deadline had passed. Yet, the person who went to Washington after letting this slip through his fingers is now trying to burden us with additional taxes. How can confidence be had in such performance? Or why is our executive trying to saddle us with additional costs for expenditures to aid parochial and private schools when this is patently unconstitutional. Is this right? Is this the "right" kind of thinking that is behind the new income tax proposals? It is our opinion that it is not right. It is definitely wrong.

On the subject of education about which people are concerned, may I submit the following thoughts? We expend in excess of two billion dollars per year at present, at 1971 levels for education. This is a considerable amount of money. In addition, the New Jersey State lottery has added another \$50,000,000.00 for allocation for educational purposes. Thus, we are not to infer that education has been neglected. Very large sums are being expended in the field of education. For many, many communities this has lead to good or satisfactory levels of education. So these communities have no serious problems as far as the quality of education is concerned. However, there are some communities which can use a betterment in the quality of their education and who

cannot afford, on their own, to pay for additional costs required to better their education. If, in the estimate of the State of New Jersey the need for this money should have a higher priority than the need for money for other purposes, then this higher priority need for education should take preference over a lower priority need. Its as simple as that. The State of New Jersey should endeavor to live within tis budget just like ordinary folks-like we and you and the governor.

Thank you for the courtesy of your time.

8. ALFRED J. GREENE, JR., TAX ASSESSOR, CLIFTON CITY  
(Appearing on behalf of William Holster, City  
Manager, Clifton City)



WILLIAM HOLSTER  
CITY MANAGER

City of Clifton NEW JERSEY 07015

CITY HALL  
ROOM 207-PHONE (201) 473-2600

May 30th, 1972

Hon. Mayor and Municipal Council  
City of Clifton, New Jersey

Gentlemen:

We have been asked to summarize opposition points to the New Jersey Tax Policy Committee's program and provide suggested alternatives.

Because of the many faceted broad governmental reforms laced with empirical formulae and theoretical assumption inherent in the plan and because, as the committee has stated, each area of the program is interdependent, it becomes very difficult to provide a brief summary.

Without wishing to cast any asperities on the legislature or the committee, it is our belief that less than 10% of the Legislature or the committee have read the voluminous reports and fewer still would understand the great majority of the theory and formula.

To further complicate the problem the Governor, in what can only be described as a temporary expedient political solution, has ascribed to certain interim, short term revisions (this in the face of the fact that the paid committee staff and the committee supposedly wrestled with the proposed program for two years and stated that all the parts were interdependent and the program would not be balanced if any of the components were deleted) which further bastardize the program and will, while perhaps providing political compromise, pose infinitely more legal and inequity problems.

The Governor's major thrust in this State revenue package (using education, welfare, urban aid and other political carrots) is to involve the aggregation of sufficient support in the political system to bring about increased revenue and permit more liberal State spending. His most avid proponent (Mr. Sears) is quoted from the Herald News as follows:

## Sears urges speedy action on state tax package plan

Former State Sen. Harry L. Sears, who was chairman of the state Tax Policy Committee which last month recommended a fiscal restructuring program for New Jersey, last night predicted it would die unless passed this year.

Sears told members of the Passaic County Bar Association that if no legislative action is taken on the committee's recommendations this year, next year's Assembly and Senate elections would delay fiscal reform until 1974.

According to the Morris County Republican, the \$1 state property tax for education was designed to eliminate inequities. Educational costs, he said, which are major expenditures for communities, would be cut to about 33 per cent under the committee's proposal.

Sears told the lawyers the state tax for education did leave room for local

government to spend additional money, but either by local voter approval or by gaining state sanction after review.

Turning to local property taxes, Sears said that on the surface it appeared that many communities would not obtain a great tax reduction, but a statewide average would be 40 per cent. He conceded that Bergen County's reduction would be modest.

Asked about the tax package's chance of being passed in the legislature, Sears said it was "good," providing that Gov. William T. Cahill supports the plan.

The only portion of the package which Sears feels will run into trouble is that which provides for expansion of the sales tax to include the fees of lawyers and other professional people, with the exception of medical men. There are too many lawyers in the legislature for this to happen, he said.

The following numbered list identifies some of the gross inequities folded into this state revenue raising program with explanations addended:

### EDUCATION:

1. State property tax (\$1/100 for operation of local school systems) is illegal as proposed.

(See page 6 - March 3rd letter to Clifton Municipal Council, attached)

2. Above State property tax begs the question What to do with school capital expenditures which are at present inequitably treated by State school aid.

(See page 5, March 3rd letter attached).

3. Equal school expenditures will not provide better or equal education.

Many sources, including local Passaic County School system review refutes this maxim.

(See Herald News editorial 2-7-72 attached).

(See excerpted articles by Harley L. Lutz, Professor Emeritus, Princeton University, April issue of Int. Association of Assessing Officers attached)

(Wall Street Journal Article 3-31-72 (McInnis v. Ogilvie - U. S. Supreme Court and D. P. Moynihan report).

(Excerpt Michigan Assessor - January 1972).

(J S. Coleman report 1966 - N. Y. Times article excerpted).

4. Tax Policy Committee's education program increases the inequities manifold in that it expands the present inequities of State School Aid as a base (Bateman Bill - weighted pupil, etc.) and disproportionately adds adverse unstable criteria such as tax rates, prior year expenditures, taxable ratables (fiscal capacity per pupil) ratables zoning, etc., all of which are so intangible and variable as to pose many serious legal and regional problems.  
(See page 17, N. J. Tax Policy Committee Summary report attached).
5. Proposal to permit spending beyond State certified per pupil expenditure is an expedient fraught with danger although politically favorable.

- a. Permitting municipalities now spending more to continue to do so would allow the very thing proposed to be cured. (by equal expenditures).

- b. To permit unequal added spending by referendum would further the inequities of poor administration and operation. (unequal burdens on taxpayers of different municipalities).

6. Loss of Local School Board autonomy - See page 18, N J. Tax Policy Committee report attached.

Regional collective bargaining - while the Committee indicates other rights retained by the Local Boards, experience with State and Federal funding would dictate reason for skepticism. (See pages 12, 13 and 14 Advisory Committee on Intergovernmental Relations - October 1971 attached). The New Brunswick (Canada) experience 1967.

7. Constitutional limit or ceiling of \$1/100 State real property tax (operational only).

Experience in other States and Cities (where limits by legislation or constitutional means have been imposed) has shown that, when cost increase, petitions implore increases of the rate by the same method or other taxes are raised to cover the increased cost.

(New York City tax rate limit, et al ). It would be naive and foolhardy to expect cost to remain at or below a struck level. (Federal income tax or State income tax).

The only difference would be imposition of tax by a large bureaucracy rather than a local government intimately concerned with its local problems and citizens.

#### PROPOSED URBAN AID REFORM

Block grants - no accountability (1)

These grants combine incorporate sales tax distribution, business tax, personal property tax replacement, railroad tax replacement, gross receipts and franchise tax capitalization, etc. Reshuffling not reduction.

Faulty criteria - unconsciously unbalanced in favor of so called poor cities -, uses criteria such as tax rate, A. D. C., public housing, tax resources. The worse governed the more received. Poor taxpayers are not limited to either so called poor cities or so called wealthy cities. (The adjective describing cities is erroneous. They are either poorly administered cities with no accountability or good administered cities with accountability).

The urban aid proposal is a poorly conceived device to dump additional funds into cities which have not shown the ability or willingness to provide good accountable government (2)

- (1) See 5-23-72 W. H. - WINS and attachment.
- (2) Present urban aid (24.5 million) to politically preferred municipalities expanded to 100 million (supposedly to expand the number of cities participating actually 85 million is being allocated to the present participants).

<u>Example</u>	<u>1971</u>	<u>Proposed 1972</u>
Newark	\$7,435,889.00	\$23,019,572.00
Jersey City	3,861,861.00	17,039,222.00
Bayonne	118,433.00	1,201,740.00
Millville	106,842.00	335,561.00
Paterson	1,768,299.00	6,377,147.00

(Page 14, N. J. Tax Policy Committee summary).

(See article New York Times 5-14-72 attached)

This ill conceived approach of hand out has proven to be a leveling process - leveling down, sapping all initiative and producing welfare communities.

(see pages 9 and 10 March 3rd, 1972 letter attached).

#### WELFARE REFORM

The twelve percent now being paid by municipalities through county taxes would be absorbed by the State.

Experience has shown that the further government is removed from the people, the greater the cost.

State and Federal regulations and standards now are responsible for much higher spending at the county level.

The proposal contains no reform of any kind, merely a transferral of increased cost and taxes to the communities which are already carrying the greatest share of the burden - the so called wealthy communities. Operation reforms looking into fraud, mismanagement, poor regulations and closer scrutiny is required rather than binocular review from afar. More accountability.

#### COURT FUNDING BY STATE

Same arguments as above with an added twist - unless there is actual legislation and regulation reform concerning administrative procedures, salary guides, etc., comparable to other governmental agencies, there could be tremendous cost increases (pensions, salaries, fringe benefits) accruing from this plan.

The problem at present is that judges acting as administrators setting salary guides, work conditions, etc., are pushing up all county

and state costs in comparable positions. The County of Passaic has had considerable labor dissention because of inequities in benefits established by the judges for court personnel vs. other county personnel.

Reform of procedure and regulations are of greater importance than a redistribution of funding.

GROSS RECEIPT TAX - FRANCHISE TAX CAPITALIZED FOR COUNTY REVENUE

Here again, we have an inequitable, unequal burden placed as between municipalities. Instead of receiving a revenue as at present, the community could find itself paying increased County taxes based on inequitable criteria such as tax rate (the lower the tax rate of a well run municipality, the higher the capitalized County payment). An example of this inequity is seen in the personal property replacement tax which was also capitalized for County taxes.

If the principle is sound, then all funds received such as "in lieu of tax funds", Urban Aids, School Aids, etc., should follow the same course. The communities (some so called tax havens) still have the regulatory and other problems connected with these types of operations, as well as loss of tax producing property.

Example: Ridgewood vs. Ridgefield, Bergen County.

Ridgewood did not want the utility. If a further purpose is to reduce tax havens the purpose fails. The program creates as many tax havens as it eliminates.

(See Herald News Article, March 7th, 1972, attached).

The proposal also further weakens the ability of self-sustaining municipalities, which falls in neither the tax haven or welfare category.

(See New York Times article February 20th, 1972, attached, and Wall Street Journal Article March 13th, 1972, attached). (Loss of initiative and incentive).

INCOME TAX NEEDED?

One of the arguments for income tax is that without it Cities could lose funds from Federal Revenue Sharing. This is fallacious. (See Paterson News Article May 31st, 1972 attached).

The State government might lose funds if they are not providing comparable funds (with other states) to the municipalities. This would only reverse some of the political machinations of the State over the last ten to fifteen years, during which time instead of increasing aid to the municipalities as a whole, they polarized aid (with exception of 1970) and placed a greater burden on County government for welfare, courts, etc..

(See Sunday New York News article September 29th, 1963 - Law 1959, attached).

(See Article January 1969 League of Municipalities Magazine, page 6, attached). (Presumptive eligibility, instant welfare, also liberalized work incentive program - 1969 WINS).

State departments should be reviewed with goals of greater efficiency, less political hiring, greater productivity. Some new departments which have shown tremendous growth in a short time could be eliminated, cut back or consolidated.

(See Herald News Editorial March 6th, 1972, attached).

(See Herald News Article May 26th, 1972, attached).

State Task Forces should be sent into our ten to fifteen so called poor cities (misnomer) out of a total of 567 cities and either permit receivership or reform as necessary to bring these cities up to the level of efficiency necessary to good government.

(See Paterson News Article January 27th, 1971, attached.) (Newark).

Do not penalize well administered cities by density zoning programs or reduction of favorable ratables or revenues which they have acquired by diligence and hard work (it did not just happen).

(See Wall Street Journal Article March 13th, 1972, attached).

(See Herald News Article March 7th, 1972, attached).

Since income tax is scheduled to begin January, 1974 - and once placed, no tax is ever found not needed and taken off.

Hold in abeyance any action until U. S. Supreme Court rules on the various cases - Rodriguez vs. San Antonio, Robinson vs. N. J. Serranous Priest, etc. - the United States government already has bills drafted to legislate twelve billion dollars to take over cost of school operation in the United States. (The same funding that this State Income Tax is suppose to supply).

Tax reform should provide even across the board tax savings on the entire producing taxed population - if you want to take care of certain weak spots to some who may need help, establish it under a productive program where accountability is the incentive - but tax all equall - this is the Democratic way.

Review other methods of raising State revenue to assist cities as well as the State.

(See New York Times Article February 20th, 1972, attached). (Mr. Bateman).

Utilize the \$150,000,000.00 increased revenue by new taxes implemented by the State to be effective May 1st, 1972, to hold line on State cost.

Halt all political mandatory legislation for special interest groups (Police-Fire pensions, Court management, vacations, leaves and political appointments).

(See page 4, County review March 22nd, 1971, attached)

(See Herald News Article April 14th, 1972, attached).

(See Herald News Article May 19th, 1972, attached).

Some comments, suggestions and opposition points to this proposed tax program, such as:

1. Classification of property
2. Method of presentation
3. More equitable school tax formula
4. Legal questions
5. Ceilings on taxes
6. Urban aid
7. Tax windfalls
8. Effective government
9. Welfare abuse
10. Fallacious polls
11. Veterans exemption
12. Tax levels
13. Income tax failures

14. Cost of program which is estimated as requiring 700 to 1000 new jobs. Our estimate after reviewing Title 54-A, Taxation of Personal Income and some of the numerous bills introduced (some have not been printed to date) would be manifestly higher than this.

can be gleaned from the following attachments:

Herald News Editorials March 6th, 1972  
March 7th, 1972  
March 10th, 1972  
March 15th, 1972  
April 3rd, 1972  
April 5th, 1972  
April 7th, 1972  
April 17th, 1972  
Article, Paterson News, April 27th, 1972  
Article, Herald News, June 2nd, 1972  
Article, Herald News, May 31st, 1972  
Editorial, Herald News, April 22nd, 1972  
New York Times Article, May 31st, 1972  
Herald News Editorial, May 24th, 1972  
Statement, William Holster, March 23rd, 1972  
Statement, Mayor Letteri, March 22nd, 1972  
Statement, William Holster, March 14th, 1972  
Statement, William Holster, March 3rd, 1972  
Statement, Rebuttal points, William Holster, June 1st, 1972

In conclusion, to further point up the inconclusiveness and irrationality of the Governor's statements, I would refer you to page 54 (copy attached) of his statement to the Legislature on May 18th, 1972, paragraph #2.

"First to achieve a dramatic reduction in the level of the property tax". The Governor knows that there will not be a reduction in property taxes equally distributed but a transferral from property taxes to income taxes. That statement is fallacious.

The Governor, "Second, to conform the financing of the public schools to constitutional requirements of equality of educational opportunity". There are a number of errors in this statement, beginning with the fact that there has been no Supreme Court or Federal Supreme Court ruling in this matter nor has experience indicated that money has brought equality to education.

The Governor's next paragraph begins, "Sound property tax reform must be made available to all our citizens". He is, of course, familiar with the fact that the great majority of our citizens will not receive lower taxes.

On page 53 of the same report to the Legislature, he provides the political way out. His quote is, "It goes without saying that the economy and other causes beyond the control of the Committee or this government could have a favorable or an adverse effect on these estimates" No cost of government has ever, in our experience, remained static, and if he basis his program on that theory, he is bound to fail.

Respectfully submitted,

*William Holster*  
William Holster  
City Manager

WH:IS

Mr. Greene also commented that a new revenue sharing bill is going to be introduced in Congress and that an education conference is planned to discuss the bill which would provide for federal assumption of the cost of public education. He stated that the State appears to be in competition with the Federal Government and noted that the reform proposals would be unnecessary if action is taken on federal level.

Assemblyman Vreeland asked if the average taxpayer in Clifton would pay more under the proposed package.

Mr. Greene stated there was no question that they would pay more. Well run communities will be penalized to reward corrupt and inefficient communities.

9. MRS. WILLIAM MERCOUN, LEGISLATIVE CHAIRMAN, CARLSTADT-EAST RUTHERFORD REGIONAL BOARD OF EDUCATION

(See Appendix 2 for the Resolution of the Carlstadt, East Rutherford and Carlstadt-East Rutherford Regional Boards of Education)

Gentlemen:

I come before you today as Legislative Chairman of the Carlstadt-East Rutherford Regional Board of Education. I represent also, however, the Carlstadt Board of Education, the East Rutherford Board of Education, and all of the many School Boards throughout the state who have endorsed the resolution passed by these three Boards on March 21, 1972, and who have since joined them in their efforts to vehemently oppose and to fight implementation of the provisions of the Governor's Tax Policy Committee. I speak also for the vast numbers of citizens throughout our state who are crying to be heard--those who have banded together in a common cause, for survival, as well as for the great number of people who have contacted me directly, by telephone, or through the mails--begging that the truth be brought to the surface!

The Governor tells the people that he understands their being incredulous, since they have been fooled in the past--however, he now comes bearing gifts!! Indeed the people are incredulous! Indeed they have been fooled in the past!! But never has such flagrant deception been perpetrated as is now being practiced. Yes, they certainly are incredulous as they see the men whom they have elected as their representatives in government now practice the theory of the "big lie!"

The Governor has stated that this is not *new* taxation, but merely a new program of *substitute taxation*, so that those who can afford to pay will do so; he speaks of an "*average reduction of 40%*" on the local real estate tax; he speaks of giving our citizens a "*constitutional guarantee*" that the State Property Tax could not be raised without their consent; he proudly informs them that the income tax, as proposed, represents *only one-half* that which New Yorkers pay; he tells them that *money is the magic remedy* which will cure all of our social ills; he tells our senior citizens that they will be afforded their much-needed tax relief; he tells our people that local school boards will retain control of their systems, with no restrictions placed upon their spending, so long as this is what the local citizen wishes!!

The people see things quite differently, however! They see their Governor now feverishly striving to *PUSH* this "reform" package through the legislature by July 4; they hear their Governor "*warning*" their duly elected representatives in Trenton to implement this legislation or he will "*make their action the central issue in next year's state election campaign,*" all of this despite the fact that very few of the some 40 to 80 bills which are reported to be necessary for implementation of this "reform" have as yet even been prepared, much less studied and discussed; they see the press carrying the Governor's series of articles designed to inform the public (or wouldn't the expression "*brain-wash*" be more apropos?); they see television networks giving him air coverage, with very little, if any, space devoted to opposing opinions anywhere along the line; they see the back-bone of our economy, the vast majority of our people--the hard-working middle class - being asked to graciously accept the fact that they must be unmercifully sacrificed at government's altar; they question the usage of the phrase "*average of 40%*" with regard to local property tax reduction, when they are informed that they will, in fact, realize very little reduction--actually, in some cases, there would be an increase--with no rationale anywhere as to worthiness or need; they remember having been assured that the levying of a 3% Sales Tax would provide for the State's educational needs, they remember its rising to 5%, and now its being broadened to encompass virtually all services and commodities--with no suggestion any longer that this could begin to meet our educational needs; they recall so well the institution of a State Lottery as the panacea for our educational ills, and they ask what has happened to these moneys, and to the theories which supported their establishment; they search for the answers as to why those hard-working citizens living in industrial communities, with their many discomforts and unpleasanties, should now be unfairly and unjustly penalized for having striven for self-sustaining good government, and for having worked tirelessly to provide for their children's educations; they ask why they should now be forced through every conceivable method of taxation, to bear the burden of providing these same benefits for those who have not been so diligent, nor honest, nor concerned about their own needs, nor those of their children; they question how they can be expected to have confidence in the Governor's assurance that the State Property Tax could not be increased without a constitutional amendment on which they would have the opportunity to vote, when they will be afforded no opportunity to exercise their *constitutional right* to vote upon any of the many bills and constitutional amendments which are now being maneuvered through

the legislature; they are astounded to hear the Governor and the Committee cite New York as a comparison, stressing that our income tax would be *ONLY* one-half that of our neighbor, when you consider that in adding the proposed state property tax to the proposed income tax, we would equal that of New York, and that New York has one of the highest income tax rates in the country; they are most concerned by the fact that money is being prescribed as the cure-all for our many social ills, when, in fact, it has been proven conclusively in our major cities that the addition of great sums of money into the school systems has produced little or no rise in the level of education; they marvel at the fact that none of the Governor's Committee has even suggested that we undertake a study of the need for "*SOCIAL REFORM*" as a logical forerunner to any program of "*TAX REFORM*" (or, Heaven forbid, that spending should be curbed anywhere along the line); the senior citizens among our people after having waited eagerly for much needed and warranted relief, cannot believe the first reports which are beginning to trickle forth, which would grant them only a \$160 deduction on an income of \$5000, and a deduction of 40¢ should they be so fortunate as to have an income of \$7000; and the poor members of our society, whom this program is supposedly designed to aid, are incredulous when they realize that although the income tax rate begins at 1% on incomes under \$1000, it rises to 3% over \$1000, and accelerates from there; and certainly, the people of our state cannot reconcile the Governor's reassurance that school districts would retain local control with such facts as these:

1. The State would hold the purse strings and disburse the moneys-- in accordance with the Bateman formula (which, as you know, is a very complex and unreasonable plan based on the theory of weightedness);
2. The State would negotiate teachers' salaries, thereby divesting local boards of this authority;
3. The State is already embarking upon a most illogical program for state-wide testing of all school children, for purposes of accountability;
4. The State would, if disbursing the funds, of course demand that state-wide guidelines be followed;
5. The State already has the power to mandate regionalization over the protests of the constituent districts---

and the list could go on and on!!

Add to these facts the misuse of such terms as "*FULL FUNDING!*" When you realize that the state would only expend funds for "*current expenses*" of a district (and this to a very limited degree in many areas because of the aforementioned Bateman formula), and that no provision would be made to offset any of the expenses incurred in building programs (*debt service*) or in furnishing equipment for these schools (*capital outlay*), the burden still rests upon the citizens of your local districts to provide these additional monies. How deceptive to speak of "*FULL FUNDING.*" How misleading to those who expect relief from the torments of overcrowding! How inconsistent to tell the school districts that they must supplement the costs of education by appealing to their local constituencies, on referendum, to supply the necessary additional funds, when there is litigation now pending which would prohibit such action!!

Truly, the public is justifiably frightened--they are terrified!! The Governor "*WARNS*" in the newspapers today of possible revolt should this "reform" not be implemented. Indeed, there is far more likelihood of revolt should it become a reality!! This is a democracy! The people are being denied their constitutional right to vote on such vital issues as these!

On May 11, 1972, I believe that you gentlemen in the Assembly made history! I think it is the first time that New Jersey's Assembly voted, not only to approve the Governor's proposed budget, but to increase it! On May 15th, the Senate concurred with your action! The Governor eagerly added his signature--and the following day, the smokers of our State were paying an additional 5¢ per package for cigarettes! By July 1, we shall pay another 1¢ per gallon for gasoline, corporation taxes will be increased from 4 1/4% to 5 1/2%, alcoholic beverages will be taxed another 50¢ per gallon, and more! All of this, with the tools you already have at your command! And we are now facing the prospect of having placed in your hands the instruments to provide for every other conceivable area of taxation!!

Gentlemen, the people of our state are far more and far better informed than you seem to realize. When the Governor speaks of going "directly to the people," they know he does not mean to the average citizen! On April 14, our three School Boards invited him and other legislators to appear at a panel discussion held at the Henry P. Becton Regional High School in East Rutherford, which was attended by citizens from many areas in our state. With the exception of our local men serving in Trenton, all others had "previous engagements." We know that the Governor is a very busy man. We had expected, however, that at the very least, he would have sent his regrets! Perhaps it was an oversight, but, unfortunately, we never did hear from him!

If the Governor truly wishes to bring the issues before the people, as he asserts, then please, Gentlemen, I implore you to prevail upon him to alter his course of action. If he truly believes that this total restructuring of our tax system is what the people actually wish, then let him decelerate his pace and release the pressure from our legislators to take premature, immediate action! Let the people themselves be afforded their *CONSTITUTIONAL RIGHT* to vote on matters of such extreme consequence--all of our futures, as well as the future of our democratic form of government are at stake!!

Thank you.

This is a copy of the testimony presented by Mrs. Irene M. Mercoun of Carlstadt before the Assembly Taxation Committee at the Teaneck campus of Fairleigh Dickinson University, on June 7, 1972.

Please note: Near the center of Page 2, the text was amended to read "\$160," rather than "\$60," as was presented in the original testimony, after Senator Schluter called this error to my attention.

Senator Schluter explained that the reference made by Mrs. Mercoun to the senior citizens credit at \$5,000 as \$60 was in error.

The credit would be \$160.

10. ARNOLD MOHN, MONTVALE

He has been hoping for a long time for a change in the tax structure of New Jersey. He had high hopes for the report of the Sears commission report, but he is disappointed in it. We have not yet found a fair and just way to tax. Most people know little of the proposed program, and they condemn it with little information. In the absence of the true and best structure for taxation, he felt that it should be based on ability to pay. Mr. Mohn stated that the present real estate tax is dreadful and he was very happy with the Botter decision. He was disappointed with the proposals because they include a state property tax and he did not see how this could be legal if it was invalid on the local level.

Assemblyman Apy pointed out that real estate taxation itself has not been declared unconstitutional, but the use of real estate taxation on the local level to finance education has been so declared.

Mr. Mohn thought that the real estate tax was not just. He did not see how there could be equal education when there would be local prerogative to raise more money for education. The state property tax should not be considered a fixed amount because it could go up.

Assemblyman Apy mentioned the proposed constitutional limit on the state property tax.

Mr. Mohn stated that there was no limit on the amount of the tax which could go up despite the rate limit through revaluation. He did not feel there would be much property tax relief in his area. He was concerned that the more taxes employed, the greater the administrative costs. Until the right answer comes along, he would favor more income taxes. Most people disagree with this because of the loopholes in the existing income tax systems. More people would support an income tax if the loopholes were removed. Mr. Mohn was pleased to hear that the timing of the program had been moved back to 1974.

Assemblyman Apy pointed out that the implementation date for the tax package is January 1, 1974, and that the deadline under the Botter decision was January 1, 1973.

Mr. Mohn felt that individual towns could not be allowed to control their own situations because there is too much individual greed, and many areas can afford to help other less fortunate areas.

11. GENEVIEVE JOHNSON, SADDLE RIVER

I am strongly against the new tax proposal and many questions come to mind.

School referendums that have been turned down in the past

were because of capital expansion plans. The new tax proposal will not aid in the replacement of 80 year old schools and school additions because of large housing developments. If a town is a sending district to a regional school how is the tuition rate to be handled since we have no control over the amount of tuition charged.

Homes have been purchased based on monthly charges. Those towns with a lower tax rate have very high assessments. Those with a high tax rate pay much less for their homes. What is to happen to those families who have invested their savings in an expensive home knowing the tax rate was low and therefore carrying charges would be manageable?

There should be compensations to a town who is a watch dog on every voucher, and through good management keeps costs down. What of those towns that have no sewers, sidewalks, a volunteer fire department. Why should they have to pay the same taxes as those towns will all services.

Finally, what will be the costs of still another bureau in Trenton to implement the collections and disbursements; that money could be better spent directly to the urban areas. New York City has shown us that the bigger government becomes the more unmanageable it is. Lets not have this in New Jersey.

The additional taxes derived from lotteries, gas, liquor and cigarette taxes should be poured into underprivileged urban areas for education and a senior citizens tax rebate, but the changes planned in municipal taxes have more inequities than the present system. Please vote against this tax plan gentlemen.

12. LAIRD COATES

The program will increase the value of property and will give a bonus to people who own property. The plan will benefit property owners and hurt tenants who will have to pay an income tax. It will also soak single people. The proposed package would shift some of the burden of taxes from one taxpayer to another. This might be desirable if it is done equitably. The income tax itself may be necessary and desirable. A uniform state property tax at a rate of 2 or 3%, together with a state income tax, but without the sales tax and the nuisance excise taxes, might be an equitable tax solution.

13. EDWARD S. BOYLAN, ASSOCIATE PROFESSOR OF MATHEMATICS,  
RUTGERS, NEWARK

He had mixed feelings about the tax reform proposals. When dubious arguments are made to support good causes, he becomes dubious about the causes. One of the basic arguments in support of the proposals is that they will aid property owners, but the chief thrust of the income tax seems to be that it will provide more revenue to the State. The report of the ~~Sears~~ Commission indicates that the State will take in \$1 billion and return to local communities \$850 million, resulting in a \$150 million gain to the State. Thus, there will not be a redistribution in taxation, but a tax increase. If people were told that an increase is needed, they might face up to it and discuss it more rationally. What is being done is a very subtle, clever advertising program which can be dangerous.

The proposed property tax limits provide an example of this danger. Despite the limits totalling \$3.00 per hundred, the report of the **Sears** Commission indicates that the tax rate for Englewood would be \$3.83 per hundred if the proposals were adopted. The limits would intensify the desire for good ratables because municipalities will no longer have the option to raise the tax rate. The local prerogative to increase the amount for education with the approval of the local electorate will create an impossible labor negotiating situation. How could any municipality negotiate a labor agreement which would bring it over the limit without knowing if it can raise the money. The State funding of education raises problems in that municipalities already spending over the amount provided by the State will be entitled to continue to spend the same amount, but any increases in the amount spent on the local level will require a referendum. Mr. Boylan asked how much of the cost of education would be assumed by the State.

Assemblyman Foran explained that the State would not pay for capital costs, the current local share for transportation and the reserve for uncollected taxes.

Assemblyman Apy mentioned the escape clause for municipalities to raise the amount spent locally for education by referendum.

Mr. Boylan did not see how the limits would work and thought they would create an impossible situation on the local level. He

characterized this situation as one vast swamp of uncertainty. Another undesirable aspect is that no list is available to show what will happen to each community if the proposals are enacted.

Senator Wendel discussed his attempts to obtain information on what would happen to his town, Oradell. His information indicates that the people of his town would pay far more in income taxes than they would realize in property tax reduction. He claimed that this package is a social reform and not a tax reform, and if it were sold as such, it would probably be accepted.

Mr. Boylan continued and pointed out the program has been described as a redistribution, that the poor will be let go and the rich will be taxed. This type of reasoning is not extended to corporations. Even with the excess gains provisions, corporation taxes will not go up.

Assemblyman Apy stated that there is provision for an increase in the corporate income tax rate in the proposals.

Mr. Boylan stated there are other uncertainties not solved by the excess gains tax. What will happen to corporations that change their location and to new corporations which move into the State. Another falacious assumption is that the state income tax is needed because the courts have ruled out the property tax. There are other alternatives, such as a state property tax. The State should provide a basic standard education and not worry about inequalities.

It has been claimed that an income tax is the fairest way to tax, but the federal income tax is not considered fair. This implies a certain lack of fairness about income taxes. Taking a flat percentage of the federal income tax would be the simplest way for the State to adopt an income tax. There has not been much information on what the administrative costs will be. It is also not clear how school financing is going to be handled when the reform package is to take effect on January 1, 1974 and the court has mandated a change in education financing by January 1, 1973.

Assemblyman Apy explained that the court has not mandated that the State actually begin to finance education by 1973, but that it come up with a program by that time.

Mr. Boylan stated that if there is to be significant property tax reduction without a windfall to business, business and residential property would have to be treated differently. The **Sears** committee reported that classification had not worked elsewhere and therefore did not recommend it for New Jersey, but the lottery is an example of how New Jersey made something work which had not been too successful elsewhere. Mr. Boylan closed by saying that the proposals should not be rushed through and that more serious consideration should be given to alternatives.

Assemblyman Vreeland asked if Mr. Boylan felt that a property tax is regressive and an income tax is progressive.

Mr. Boylan answered that it is and it is not. People with higher incomes probably own more expensive houses and thus pay higher property taxes. The double deduction for property taxes in the proposed income tax is also questionable. A real estate tax is progressive. The federal income tax is progressive, but some people do not feel it is progressive enough. We should not be concerned with labels like progressive and regressive, but ask ourselves what the problems are, what the consequences of the present system and the alternatives are, and what is the fairest way the tax burden can be apportioned. He pointed out that the Sear's committee recommended that municipalities still rely on the property tax.

14. MRS. LILLIAN SINGLE, PRESIDENT, MAYWOOD TAXPAYERS ASSOCIATION

She spoke only for herself and not her organization. She indicated that the hearings have received very poor publicity. Mrs. Single referred to the discrepancy between the time taken to formulate the proposals and the time given to the legislature to consider and enact it. She opposes the program because her town will not realize much of a property tax reduction. The taxpayers in her town would have to make up the difference between what the State pays for education and the total cost of it in her town, and they would still be paying for the entire cost, a part to the State and the rest on the local level. She finished by asking what the big rush was to get the proposals through.

Assemblyman Apy indicated that the time schedule was not set by the committee, but by the Governor and the legislative leadership, but it will be up to the legislature in the final analysis to act on the proposals.

15. HERBERT W. MILLER, VICE PRESIDENT,  
NORTHVALE GOLDEN AGE CLUB

PRESENTATION

BY

HERBERT W. MILLER V.P.

OF THE NORTHVALE GOLDEN AGE CLUB

TO NEW JERSEY STATE LEGISLATORS

AT HEARING ON TAX REFORM

FOR THE STATE OF NEW JERSEY

HELD IN BERGEN COUNTY

JUNE 7, 1972

To begin, I want you to know that the members of the Northvale Golden Age - 47 - Club appreciate the efforts being made by representatives of Government to find solutions to Senior Citizens problems. We recognize that these are complex problems which are extremely difficult to solve. With these thoughts in mind we offer here today, in the spirit of cooperation, some constructive ideas in a desire to help guide the thinking in finding solutions to these problems. I am authorized to say that other Senior Citizen Clubs join us in this presentation.

The Northvale Golden Age Club has adopted a Declaration of Principles which reads as follows: (See Attached)

I am pleased to report that the Bergen County organization which represents all Senior Citizen Clubs of Bergen County has also adopted this resolution as their Declaration of Principles. On Senior Citizens Day, at the Bergen Mall, in a short space of time over 1000 signatures were obtained on petitions supporting these principles. Many more signatures may be obtained if required. Copies of these resolutions are now presented to you for official recording in the records of the New Jersey State legislature.

We have made exhaustive studies of the proposals relating to Senior Citizen matters made by Governor Cahill, the Tax Policy Committee and certain other legislators to give tax relief to Senior Citizens. I now direct my attention to these proposals.

We wish to go on record that we agree that an income tax is a more fair and just method of financing the cost of government than the real estate tax particularly with respect to the cost of education. We believe that most Senior Citizens could find it possible to support an income tax for New Jersey, if: (1) all residents of the State pay an equitable share for all government services they receive, based on their ability to pay, (2) the income tax revenue is used to pay all costs of primary and secondary public school education, including all construction costs of buildings and other facilities, and (3) there is a guarantee that no other taxes will be imposed for educational needs.

Persons familiar with the recommendations of Governor Cahill and the Tax Policy Committee can readily see that their proposals do not meet this criteria. They propose to exempt salaries and wages earned by out of State workers from the income tax. This is extremely unfair to shop keepers, small business men, Senior Citizens, all those who work within the State and others who will be required to pay more than their fair share of taxes in order to

to subsidize the cost of services received by those who are exempt. Our studies indicate ~~that~~ this might be one hundred million dollars. Under these proposals, New Jersey, with low ~~property~~ taxes and exemption from income taxes, will become a tax haven for out of State workers with children of school age. For all practical purposes those who receive a free ride will have their children educated at the expense of others.

We are cognizant that there are legal considerations involved. We believe, however that with proper leadership these are not insurmountable. We believe that the State in which government services are received should get the first bite of any income taxes imposed on salaries and wages. We believe that the proposals of Governor Cahill and the Tax Policy Committee were based more on political considerations than on fairness and justice. Unless out of State salaries and wages are included as taxable income our organization cannot support the income tax.

The proposals to tax pensions is extremely unfair to Senior ~~Citizens~~. By nature pensions are annuities which result from a life time of hard work and planning for old age. Some pensions result from the recipients having worked for smaller salaries and wages while others come from contributory plans. Regardless of how they came about the pension represents a life time of work in order that during the late years Senior ~~Citizens~~ would not become a burden on the family or on society. To make new rules at this late stage of life which results in a life time of planning going down the drain is cruel unjust and unAmerican. The dignity, pride and status of every Senior Citizen must be preserved. Unless all pensions of all Senior Citizens are exempt from the income tax we cannot support it.

In our opinion it is also unfair to stop the progression of tax rates at 14% on incomes of over \$50,000. The progressive rates should be increased in accordance with the experience of the tax experts at the federal government level. To do otherwise places an unfair burden on those in the middle income brackets and benefits those with higher incomes. Unless this is changed we cannot support the income tax.

In summary, the officers and members of The Northvale ~~Golden Age~~ ~~Seniors~~ Club are opposed to an income tax unless the following changes are made in the proposals as we understand them.

(1) All Public School costs, including the costs of buildings and other facilities must be paid out of the income tax revenue not just the current expenses as recommended.

(2) Ways and Means must be found to tax all salaries and wages of all New Jersey residents regardless of where the resident works for services

received within the State.

(3) All pensions of Senior Citizens must be exempt from the income tax.

(4) The progression of tax rates must be continued upward on earnings over \$50,000.

If these changes are made the officers and members of our organization could support an income tax for New Jersey in order to relieve the oppressive property taxes.

We now direct attention to the proposals of Governor Cahill and the Tax Policy Committee relating to property tax relief for Senior Citizens.

Their proposals do not meet the criteria set forth in the declaration of principles adopted by the officers and members of the Senior Citizens Clubs of Bergen County. The proposals hash up welfare, income taxes and property taxes. These are three separate and distinct matters of concern and each should be treated separately. Property tax relief for Senior Citizens is tax justice and not welfare or charity. The proposals are discriminatory giving more relief to some, less to others and nothing to many at a great cost for administering and policing the plans. These discriminatory proposals compound rather than correct the injustice of present laws which compel Senior Citizens to subsidize the cost of government services demanded and received by others. No Senior Citizen should be compelled to do this. These plans are also degrading to Senior Citizens in that they require the disclosure of financial circumstances for public record. These plans are also breeders of conniving, cheating and collusion that will eventually result in scandals and cause injury to Senior Citizens. These plans provide no encouragement or incentive for many Senior Citizens to retain their homesteads but instead they will speed up the process of forcing these substantial Seniors to move to more favorable tax climates. These are just a few of the many reasons why our organization is opposed to the proposals of Governor Cahill and the Tax Policy Committee and all discriminatory legislation relating to property tax relief for Senior Citizens.

While we are on the subject we would like to touch on the proposals of Senator Schiaffo and Assemblyman Hynes who want to exempt Senior Citizens with low incomes from paying any taxes. Every decent and right thinking Senior Citizen will reject this proposal as being foreign to our democratic system of government. No unselfish Senior wants someone else to pay his bills. All decent thinking Senior Citizens want to pay their share of the cost of government services they receive such as police and fire protection, ambulance service, sanitation, roads and highway maintainance and a host of

other services. What Senior Citizens want is tax justice. They do not want to pay for the services demanded and received by others no more than they want some one else to pay for the services that they receive. All decent thinking Senior Citizens reject the Schiaffo Hynes proposals as being out of order and undemocratic.

Assemblyman DeKortes plan is another idea which does not serve the best interest of any Senior Citizen. His proposal to defer the taxes of Seniors until their property is sold or they are deceased places a lien against the estate that will bring great hardships to the surviving member of the family, be it husband or wife. The officers and members of our organization reject this idea.

During the past eighteen months we have devoted a great deal of time energy and study to the problem of tax relief for all Senior Citizens. We believe that the proposal which I now present is far superior to any plan yet made public and that it meets all the criteria of our declaration of principles which has been given to you for recording in the New Jersey State Legislature records.

We call this plan Homestead Security because it will provide security not only for our generation but for all future generations.

We propose that every Senior Citizen on a fixed income who uses his homestead for his or her sole enjoyment be given a homestead exemption of \$10,000 or \$15,000 of assessed valuation. Landlords of properties occupied by Senior Citizens should be given the same tax break based on the number of Seniors residing therein and the tax savings passed on to these Seniors. This equitable treatment of all Senior Citizens will provide the incentive for all Seniors to remain in their communities which will be most beneficial to all residents of the community.

There will be no need for an appropriation of funds by the State and local governments as this plan will cost nothing for administration, policing or financing. Everything will work automatically through the tax rate as a result of shifting a portion of the unjust subsidy now borne by a Senior Citizen to its rightful place at an infinitesimal cost to other property owners. 20¢ a year received from 2000 tax payers will relieve one Senior of \$400. of the subsidy of which he is now burdened. This is equivalent to an exemption of \$10,000 of assessed valuation at a tax rate of \$4.00. The fluctuation in the tax rate will be microscopic.

Just as Social Security now provides income security for old age, homestead security will do the same for all Senior Citizens for generations to come.

All that is asked is that it be placed on the ballot for referendum so that the people can decide their own destiny. We are confident that if this is done our plan will be overwhelmingly accepted by people of all ages making it possible for New Jersey to become the catalyst for the nation in solving this most pressing problem for Senior Citizens.

To summarize, our organization is opposed to the proposals of Governor Cahill, the Tax Policy Committee, Senator Schiaffo, Assemblyman Hynes and Assemblyman DeKorte relating to property tax relief for Senior Citizens because these proposals are discriminatory, degrading, divisive, costly to administer and police and open up many avenues for cheating, conniving and collusion. We enthusiastically commend to government officials and legislators at all levels of government our Homestead Security proposal as a means of solving the burdensome property tax problem for all Senior Citizens.

I proudly present you with a detailed copy of our Homestead Exemption proposal and request that it be recorded in the official records of the New Jersey Legislature.

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The officers and members of the Senior Citizens Clubs of Bergen County cordially thank you for this opportunity to present their views.

Thank you,

*Herbert W. Miller VP & Chairman  
Legislative Committee  
Northvale Golden Age Club  
425 Chestnut St.  
Northvale, N.J. 07647*

16. IRVING STEINBERG, YMHA GOLDEN AGE CLUB, HACKENSACK

He stated that there are two classes of senior citizens, owners and renters. The homeowners got a \$160 deduction and the renters got nothing. This will be corrected under the proposals. He questioned why senior citizens should be subjected to the state property tax.

17. JOSEPH J. KROTH, TAX ACCOUNTANT

He could not understand the estimated 40% property tax deduction because he could not work it out with his tax bill.

Assemblyman Apy mentioned that the 40% figure was a state-wide average.

Mr. Kroth did not believe the 40% figure is accurate. He also disputed a statement he attributed to the Governor that Bergen County commuters to New York would pay no income tax because of the income tax they pay to New York, because only salaries earned in New York are taxed there and other income would be taxed in New Jersey.

Senator Wendel indicated that there was a wrong impression that commuters who are paying taxes to another state would pay these taxes to New Jersey if the proposals were enacted.

Mr. Kroth indicated that this was the impression he was trying to dispel. He is opposed to the whole tax package. He

mentioned the recent increases in the state excise taxes, and stated that the middle income taxpayer bears the brunt of taxation.

18. SUSAN GENTLE, EAST RUTHERFORD,  
MOVEMENT AGAINST STATE TAKEOVER

She mentioned that the recently adopted state budget was characterized as an austere budget, and presented the committee with a truly austere budget, her own. She stated that it is one thing for the more fortunate to give of their substance to provide a minimum standard below which no disadvantaged person or child would be forced to live, and another to legislate uniformity of condition. The difference is that between freedom and slavery. The difference in circumstances of people may be the result of having fortunate circumstances to start off with, or diligent effort.

19. MRS. THOMAS CABANY, CARLSTADT,  
MOVEMENT AGAINST STATE TAKEOVER

She indicated that she had over 2,000 signatures on a petition against the state income tax from middle class residents of Bergen County which seems to have been forgotten in the tax proposals. She expressed an abject hatred of state control of school financing. Where there is state control of the finances, there will be state control of the system. There is already too much federal, state and union control of the school systems. The state education officials are already political appointments and politics should be kept out of the schools. The waste in other government offices would spread to education. There would be much less accountability

on the state level. Equality in education is an admirable goal, but money will not bring it about. A change in teaching methods might. Her basic objection to the state property tax is the loss in municipal control of zoning. Tax-abated buildings will be put in areas that can ill afford them. Condominiums which will provide the pride of ownership and tax dollars should be constructed. Low income people could be provided with long term mortgages at low interest rates to break the welfare cycle. Senior citizens should be absolved of that portion of the taxes that go for schools. The income tax is unfair because of all the loopholes. Comparison with New York is an abomination because that State with all its taxes is bankrupt. The burden of the property tax is on the middle class in New Jersey and these proposals will not alleviate this burden.

The Governor is involved in a massive snow job aimed at forcing the suburban, middle-class taxpayer to assume the cost of skyrocketing big city government. Public opposition to the proposals is strong. The list of organizations that have come out against it indicate this. Government spending should be economized. The State should stay out of municipal affairs. Public aid to private schools is illegal and should not be allowed. Private use of public funds or property as with the Hackensack meadows should not be allowed. Political interference with the schools should not be allowed. Municipal government has long been the most successful level of government and returning more power back to the local level should be considered.

20. MRS. A. WOLFF, CARLSTADT,  
MOVEMENT AGAINST STATE TAKEOVER

She sympathized with the gentlemen from Montvale, but suggested that the town should bring in industry with all its pollution and unpleasantness like Carlstadt. She wondered if the public hearings would do any good. She felt that the slumlords in Newark would gain from the tax package.

The hearing was recessed for dinner.

EVENING

21. EDGAR SIMONSEN, HACKENSACK

He does not approve of the Governor's plan for local school boards to spend state property taxes and to increase school taxes by referendum. He could not recall when the citizens ever asked the school board for more facilities or services. Local boards of education do not represent the local citizens. In Hackensack, the board is appointed. Taxes will be higher than at present. Government has gone astray and we must find the cause of it.

22. GERTRUDE SCHWIMMER,  
LEAGUE OF WOMEN VOTERS OF BERGEN COUNTY

STATEMENT OF LEAGUE OF WOMEN VOTERS OF BERGEN COUNTY ON TAXES

WHEREAS,

The present tax system in New Jersey, with its major reliance on the yearly-increasing local property tax, unjustly places the greatest burden on those least able to pay: the young, the aged, and those of low and moderate income, and

WHEREAS,

Reliance on the property tax has helped contribute to the continuing deterioration of housing in our cities, and poor land use in our suburbs, due to fiscal zoning and pressure for ratables, and

WHEREAS,

The New Jersey Superior Court has struck down the state's tax system for school support, based as it is primarily on local property taxes, as unconstitutional, and instructed the legislature to adopt an entirely new system of financing education;

THEREFORE, BE IT KNOWN

That the Bergen County League of Women Voters supports the restructuring of New Jersey's tax system as recommended by the New Jersey Tax Policy Committee and amended by Governor Cahill, including the following:

1. Institution of a statewide income tax of 1% to 7% on income to \$23,000, graduating to 14% on income over \$500,000 - 1/2 New York State's rate.
2. Assumption by the state of funding of current operating expenses for elementary and secondary education statewide, to be funded from a combination of state non-property taxes, and a statewide uniform property tax at \$1.00 per hundred of full valuation.
3. The elimination of existing local property taxes for standard operating costs of schools and the option to use local leeway funds, thereby reducing local property taxes by an anticipated average of 40%. Control of schools to remain at the local level.
4. Achievement of property tax relief for tenants through deduction of tax proportion of annual rent that apartment dwellers pay in real estate taxes from their income tax base, and income tax credit to the tenant of 75% of the tenant's share of the landlord's windfall.
5. Improved benefits for senior citizens.
6. Transfer of costs of welfare, the judicial system, and tax administration from county and local to state responsibility.
7. Quadrupling of municipal block grants to compensate for municipal overburden.

The Bergen County League of Women Voters, meeting as a delegate body, and representing 15 local leagues and 2,000 members, endorses the above proposals on this first day of June, 1972.

23. KEVIN HANSE,  
NEW JERSEY LAUNDRY AND CLEANING INSTITUTE

My name is Kevin Hanse, living in Paterson, I am president of the Separate Sanitary Laundry Company of Paterson, New Jersey. We have been in the laundry and dry cleaning business in Paterson for 50 years. I am here representing the New Jersey Laundry and Cleaning Institute, the industry trade association, which has been the spokesman for the professional, commercial laundry and dry cleaning industry in New Jersey for the past fifty years. Our headquarters during these years has been in Newark, New Jersey.

Our industry in New Jersey, and in the other surrounding states, has been traditionally exempted from the state sales and use taxes, because we are considered a vital health service. We strongly urge that this traditional exemption be retained. However, I think I also speak for actual millions of dry cleaning and laundry customers who would be taxed if we lose our exemption.

I should like to remind this hearing that our industry's role as a vital health service has long been recognized by both the Federal and the State governments. For example, during World War II and the Korean conflict, our services were considered essential services to the public, to the hospitals, the nursing homes, the hotels and motels, to restaurants, to the research laboratories, and to our other consumers. Our industry has been given all the consideration due a health service by the various regulatory government agencies, and has been cited for the importance of its role in maintaining the hygienic standard demanded by a modern economy.

We are still, today, an important health service, and our industry still serves most of the larger hospitals in the state. My own plant handles work from the Passaic General Hospital. Other laundries perform vital laundry and dry cleaning services for our New Jersey hospitals. In the health service field, our industry services nursing homes, clinics, doctors, dentists, professional and research labs. Their use of our services is a tribute to the role our industry plays in maintaining modern health standards, by the efficient laundering of fabrics.

Of equal importance is the role which we play in the maintenance of health and proper hygiene for the tens of thousands of weekly family customers served by our route deliveries, and by our neighborhood stores. It must be pointed out here that dry cleaning or laundry are not luxury services. They are just the type of services that allow many working men and women to maintain decent hygienic standards while holding a job. The homemaker, the working wife or mother, the bachelor, all depend on economical service for all or part of, their laundry needs. The imposition of a sales tax on these services would add a heavy burden on the low and middle income wage earner - particularly for the families with children. Of course, our entire population depends on our dry cleaning service - it is a vital economic necessity. The average man cannot afford soiled garments - so he needs dependable, low cost dry cleaning. Dry cleaning and laundry service renew, refresh, repair, and sanitize garments and household items that have become unserviceable due to soil.

In fact, the laundry and dry cleaning industry is engaged in re-cycling garments and other fabric articles. We are a fabric-care industry. New garments are not subject to sales tax. Why should renewing them be taxed? This would be a tax working against environmental protection. It would tax recycling efforts. In the present understanding of the importance of protecting our ecological balance, recycling and re-using articles should be encouraged. A sales tax on laundry and dry cleaning would have the opposite effect. I strongly urge that this fact be given careful consideration and that no tax be imposed. Thank you for your consideration of my remarks, kept very brief in respect to your busy schedules. I am pleased to see the great lengths you are going to to "hear from the people!

24. STEPHEN WIGOD, FAIR LAWN

His purpose for attending the hearing was to expose some of the frauds of the Sears committee report and to be constructive. New Jersey would give neighboring states a windfall if the program is adopted by not taxing commuters differently as is now done. The excess over the state income tax would go to neighboring states having higher income tax rates. He questioned the claim of the Tax Policy Committee that the income tax will avoid tax increases because it is elastic and will grow with the economy. The example of New York City refutes this claim. Mr. Wigod felt that it is inequitable to impose a sales tax on medicines, especially on senior citizens. It is also inequitable to impose a sales tax on toilet paper and tissues

because they are necessities. The cigarette tax is also unfair because it is so high, the second highest in the country. The burden of the cigarette tax would be higher for many people than the proposed income tax.

The State should allow municipalities to impose a local sales tax on top of the state tax. A 1% statewide local sales tax would yield \$123 million. Municipalities should also be allowed to impose excise taxes and business taxes. Instead of an income tax, he proposed a property tax based on income. The local government would set the rate needed. The tax would have to fit within the range from 1 to 7% of the income of the homeowner. Regardless of income, an owner would pay no less than 1% nor more than 7% of his income in property taxes. This would relieve low income people of the burden of property taxes and avoid the necessity of an income tax. The people do not want an income tax and he is opposed to it. He would not vote for anyone who supports it.

Assemblyman Vreeland commented that taxes will definitely go up and that under the proposals it is the income tax that would go up. If the proposals are not adopted, property taxes will go up. A rich person would be taxed more under the income tax than under his proposal for property taxation based on income.

Mr. Wigod considered his proposal as a compromise because the people of the State do not want an income tax.

25. JOHN STERBACK, YOUNG AMERICANS FOR FREEDOM



NEW JERSEY

YOUNG AMERICANS FOR FREEDOM

P. O. BOX 633 HACKENSACK, N. J. 07602

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June 7, 1972

Mr. Chairman, members of the committee, my name is John Sterback and I come before you in three capacities; first as the Nationally appointed representative of Young Americans for Freedom in New Jersey; second, as the Executive Secretary of the New Jersey Conservative Union; and finally, as a South Orange property owner.

The message I bring you is that both YAF and the NJCU are opposed to the so called "tax reform" program that the Governor seeks with such avarice. I say "so called tax reform" because a true reform would bring about a correction of the faults in the present system. The package under consideration is merely a rearrangement of those faults, some of which I will illustrate.

The new policy is supposedly based on a platform which taxes those who are best able to pay. The ideal is fine, but in our situation we find that major corporations like Prudential, New Jersey Bell, Mutual Benefit, Blue Cross and a host of others including the largest banks in the State who collectively own most of downtown Newark are going to get millions of dollars in tax relief while most of the small business owned by New Jersey's citizens get no relief. You just can not claim that those who are best able to pay are those who will be taxed.

Another benefit of the reform will be to bring parity to our educational system. Yet taxpayers of a particular town can raise thier own taxes to provide extra services. In other words, it will only be a short period of time before the taxpayer seeking a decent level of services for his family will tax himself beyond the present level. Where then will be the parity?

Another reason why we are supposed to be so eager to support this tax is that there will finally be a limit on property tax.

But why is the limit only on real estate? Are we being given a written guarantee now of yearly increases in the Income Tax? And what about this real estate limit? A lie gentlemen, one of the biggest lies yet to come from the Cahill administration. Sure the tax will never go beyond one dollar for every hundred of value without a constitutional amendment. But, and a costly "but", as "value" increases so will the amount of tax. Who is going to define and set value and how often? I feel that the value of my property is constantly increasing, if the State of New Jersey agrees with me there is no limit to real estate tax. Where then are the guarantees?

The new package sets up a situation where the administration in power can create little wars between taxpayers. Every time the Income Tax goes up the administration will turn to the people, wring thier hands a little, and say "but what else could we do, the property owners wouldn't vote for a raise in thier tax?" I am sure that as towns and counties seek more money for ever expanding budgets we will hear "If we didn't pay out more to the State than we get back we wouldn't have to ask you to raise your taxes again this year. It's not our fault, blame Trenton." The result, spiraling taxes with various levels of government passing the blame.

The Governor knows full well that the people of New Jersey do not want this tax. He knows that a referendum on this package would be defeated. Why else didn't we vote on it yesterday What better time to ask the people how they feel than just before the very session of the legislature that will decide the issue? The Legislature would have had its mandate from the people instead of Governor Cahill. In its place the Governor offers us a big political lollipop in the form of a November referendum when all the voter can do is attempt to freeze the tax level. Only a fool would believe that those referendums would fail but I suppose the Governor would claim thier passage represented an overwhelming

support of his tax burden.

Gentlemen, please, go back to Trenton and do one of two things. Either send this mess back to Cahill and demand a true reform or come up with a package that must be approved by a November referendum. Bind yourselves to the will of the citizens of the State of New Jersey.

In closing let me point out that every tax passing legislature in New Jersey history has gone down to a resounding defeat in the next election. Yours will not be any different. Don't be fooled by the Governor screaming that some new tax has to be passed anyway so it might as well be his. I have to live within the level of my income, this year let New Jersey live within hers. Cut your budget instead of making me cut mine.

I thank you for the opportunity to present these views to you.

26. HANNIBAL CUNDARI, VICE PRESIDENT,  
BERGENFIELD TAXPAYERS ASSOCIATION

Taxation deteriorates whatever is taxed. Concern has been expressed over windfall gains to landlords, but if we continue to plunder those who invest their money to create housing, we will have less housing. The Tax Policy Committee report and the Governor's report are loaded with special privileges for everyone except those who work hard to earn a living, and even they are going to get some special privileges in lower taxes. Mr. Cundari then read a statement he presented to the New Milford Tenants and Homeowners Association on March 22, 1972.

Taxes: The Drug of Political Addiction. (Presented to the New Milford Tenants and Homeowners Association on March 22, 1972.)

Tonight, we are privileged to become enlightened on taxes by politicians - as though politicians are able to provide us with unbiased answers to taxpayers prayers. But you and I know that as taxpayers, the more we pray for tax relief, the larger is the collection basket which the politician passes around, but both our tax donations and our prayers are wasted - wasted by the politicians who are endowed with unrestrained pleasure of unlimited spending. We are not permitted to tell them how to spend our taxes, but they have the power to compel us to shell out our hard earned dollars to pay for whatever programs benefit politicians most. ~~either~~

In all the history of politically oriented ~~and~~ promises for solutions to fiscal, economic and social problems the political magicians have yet to point to even one tiny ~~program~~ program which can be called a partial success. We have been burdened with taxes, more taxes/again and again - with sales taxes, cigarette taxes, gasoline taxes, the lottery and many, many hidden taxes - and what relief or solutions have we experienced. None whatsoever! Yet these spendthrift experimenters want to burden us with yet greater taxes - with what I would label ~~the~~ infamous State Property Tax and a State Income Tax.

Whom are they trying to "kid" that the only way out of New Jersey's financial dilemma is to impose an Income and a Property tax upon us? What makes these people think that taxpayers have any faith in the ability of politicians to provide ~~a~~ better solution with either of the proposed taxes than their repeated failures have so far proved. Let's face it! Political solutions are a farce, there are none. Our dilemmas can be ~~solved~~ solved only if political solutions are not permitted to interfere with free market forces. But, how can we keep politics out of those areas where individuals, left to their own resources, would be capable of providing the ~~solutions~~ solutions which politicians have eternally promised? One method is for individuals to refrain from asking the politician for more of that "something for nothing", for that forms the greatest portion of the tax pie.

Right now, the question of a state property tax and a state income tax are the envisioned desserts of the politicians. They are rubbing their hands in anticipation of a lucrative bonanza. Are we going to permit them to continue pouring our tax dollars into

the bottomless pit, those wastelands such as the Meadowlands Sports Complex Tocks Island, "Mess" Transit, Family Planning, Housing Development & Demonstration grants, Authorities by the dozens, Busing, Municipal Bond Finance Agencies and many, many more wasteful proposals which promote only political perpetuity? I should hope not! The more we permit our legislators to tax us, the closer we arrive at bankruptcy, not only for the state, but for the individual also.

I, and millions like me, oppose the dreams of New Jersey Legislators for a Property Tax and an Income Tax on the grounds that such taxation will not provide any solution. The problem is not that there is insufficient taxes, the problem is that we have irresponsible and compulsive spenders who are incapable or incompetent to handle public funds. What is needed is not more taxes but less spending. We must awaken the legislative dreamers whose unconcern for reality and thrift has placed him in the category no different than the drug addict, except that political addiction is satisfied only by draining the life-blood of the hard working individual - his hard earned money. In fact, the tax-addicted politician harms everyone whereas the drug addict harms only himself. When the addict attempts to feed his habit by robbing another person, we rightfully separate the addict from society. It is now time to start a tax-addiction cure center for legislators by placing them under a rigid program of withdrawal - that is, no more taxes to spend until they can prove that they can spend without addicting themselves.

Suppose the state were to impose a property tax! How long would it be before property taxes escalated to a point that foreclosures would be rampant? Not too many years, I venture to predict. And then the state would own your property. It is difficult enough for us to control our taxes locally where the politician is within whispering distance from the taxpayer. How will it be possible for one to exert any control over his property tax if the unconcerned taxing power is located in Trenton, 75 miles from home? I for one am skeptical of the political promise that our tax will be only \$1.00/ \$100.00 of true value. But even if the rate remains at \$1.00, can we trust the poli-

tion not to increase the assessed valuation of the property? Never have the political promises benefitted the taxpayers and never, ever, should the taxpayer place his trust in such political promises.

They tell us that the reason for the state property tax is that the present method of property taxation discriminates against the poor because poor districts cannot provide the educational opportunities which the wealthy districts supposedly are able to supply. First, it is falacious to assume that money provides or adds quality to education. In fact, researchers have found no evidence that the financial status of a community has any bearing on the quality of the educated product. Secondly, if any state in the Union declares itself less wealthy than another, what is to prevent the poorer state from declaring that the wealth of the richer state constitutes an unconstitutional inequity due to this economic difference and as such, subjects the poorer state to unequal treatment under the law? This excuse provides the federal government with motive to nationalize education. Thirdly, if a family of limited income cannot afford to buy the luxurious things which others of more fortunate means are able to purchase, cannot the low-income person force the "unpoor" to share the surplus wealth with his poorer plunderer by declaring "unequal treatment under the law?" Can we not see the socialistic philosophy behind such schemes of equality and redistribution of wealth? Can we not see the complete eradication of liberty in America, the once "land of golden opportunity"? I reject the concept of both a state property tax and a state income tax as a scheme of political and social reformers to subject every American to a rigid system of communal control. There should be an equivalent and forceful drive by all Americans, uniting to drive these political dictators out of office. The New Jersey Conservative Union, The Federation of New Jersey Taxpayers and many, many local taxpayer units throughout the state would constitute a formidable force to bring an end to the proposed and inevitable enslavement which such taxing powers, vested in the hands of unprincipled politicians, would bring.

In addition to the disastrous consequences of state imposed taxes just stated, can the political money wasters justify any additional tax while they

refrain from publicizing that the state budget includes an estimated surplus of \$190 million as of June 30, 1972 and a \$118 million surplus as of June 30, 1973? This information was uncovered by the Federation of New Jersey Taxpayers and Mr. Solyom, a Director of the Federation is in our audience, ready to expand on this, among other reasons, for a reduction in spending and to add to our insistence against any new taxes. What justification is there for additional taxes when there are multi-millions of dollars in surplus, which no doubt forms the "pork barrel" for the politician to dip into.

There is only one avenue leading to a halt in the rising taxation which none of the elected officials are willing to advocate, let alone practice, and that is by reducing governmental spending and eliminating political plums which have expanded our political bureaucracy to a ridiculous degree. Only then will it remove the excuse for the federal government to create inflation, new money out of thin air - which is the cause of currency in circulation to lose its purchasing power. This is the culprit behind our, and the senior citizens', inability to make ends meet. But, how many of our elected officials dared to propose such retrenchment? Very, very few, if any!

Yes, state sponsored programs requiring taxation to operate are no different than the business of gambling; a few win, the majority lose and the house takes the bulk of the winnings. In this case, the politician runs the "House" and the taxpayers are the majority who lose.

There are many areas which are perfect targets for spending reductions. If each of us would peruse the Legislative Index, available by requesting same from your district legislator, we would be amazed at the effrontery with which our state Senators and Assemblymen propose to spend our our tax dollars as though they are to be sewn like cheap grass seed.

It is entirely up to the citizens, you and me, to be heard loud and clear by writing to our legislators and demanding that spending cease. No one else can do this for us, so let's pledge now that we are going to tell the politician we are fed up with taxes we have and want no new taxes whatsoever.

Hannibal Cundari  
VICE PRESIDENT BERGENFIELD TAXPAYERS ASS'N  
H CUNDARI  
222 N QUEEN ST  
BERGENFIELD NJ 07621

Assemblyman Vreeland commented that it is not politicians, but the courts which are requiring the equalization of school financing.

Mr. Cundari stated that there is no indication that more money means a quality education. The increase in New Jersey higher education enrollment does not mean improved education. Why should the State take money from one municipality and redistribute it to other municipalities.

Assemblyman Vreeland reiterated that the court has mandated equalization of school financing.

Mr. Cundari said that it would be proper for the legislature to fight this court decision which is aimed at creating a socialistic society. The court did not require the legislature to come up with a method for financing education.

Assemblyman Apy explained that the Botter decision declared the present system for financing education unconstitutional and the State must devise a new system. The sponsors of the proposed legislation say that it meets the requirements laid down by the court. We do not know if it will stand up to a challenge in the court.

Assemblyman Foran addressed himself to some of the statements in Mr. Cundari's presentation. He stated that the lottery is not a tax or a hidden tax. The revenues from it are dedicated to education and state institutions. He stated that the reference to

a \$118 million surplus by the end of the 1973 fiscal year is incorrect. This surplus in next year's budget is only \$19 million. With respect to saving tax dollars, he mentioned that \$68 million in welfare expenditures was saved last year.

Mr. Cundari asked if the funds from the state lottery have improved anything and where has the money gone.

Assemblyman Foran indicated that the revenues from the lottery represent only about 1/2 of 1% of the state budget. The money has gone for institutions and for higher education.

Mr. Cundari stated that we should be encouraging self-responsibility, otherwise we will have a welfare state. Taxation on ability to pay will diminish self-responsibility and bring about such a state.

27. GEORGE J. APTEL, PARK RIDGE

He questioned why the legislature has been given such a short time to consider and pass the tax measures. He clarified that the advertisement that appeared in the Daily News urging support for the tax package was paid for by a private group, People For Tax Reform, based in Trenton and headed by Fairleigh Dickinson, Jr. With respect to the income tax, he mentioned that the federal income tax started at low rates and is high today. Mr. Aptel wondered what would happen to the state income tax if it is enacted.

He felt that it would be easy to raise and this is why he is violently opposed to the income tax. We already have a state income tax on business which is passed on to the public. Mr. Aptel questioned if foundations would be exempt from the income tax. Noting that the tax package is to provide equal education, he asked what constitutes equal education. He also asked how uniformity in assessment will be assured.

Assemblyman Apy explained that this will be done by re-valuation and equalization of assessments.

Mr. Aptel questioned assessment practices with respect to public utilities. He asked what the cost of the computer is going to be to run this tax program.

28. MR. FRANK J. OLIVER,  
THE LEAGUE FOR CONSERVATION LEGISLATION

I am Frank J. Oliver, a resident of Teaneck, N. J. presenting this statement in behalf of The League for Conservation Legislation, a non-profit organization of New Jersey Citizens and a dozen outdoor, hiking and nature clubs dedicated to the protection of the environment. Among the League's objectives are the protection of open space, wetlands, wild forest lands and scenic values; the encouragement of the acquisition of additional state, county and municipal park lands and protection of existing parks from deleterious developments and use.

In the context of the objectives of our League, we point to the lack of concern for the environment in the Governor's tax package, possibly because it was not taken into consideration by Senator Sear's Tax Policy Committee. Therefore, some of my remarks will be directed toward omissions in the tax package, as well as suggested revisions.

Assembly Bill No. 1005 should be made part of the package. This bill would exempt from taxation lands owned by nonprofit corporations, meeting Internal Revenue Code 501(c)(3) standards, provided that the primary purpose of the land and improvements was for conservation and recreation in the public interest.

We ask that preferential treatment be given to land the use of which is restricted by an "open space" easement, which would have to be defined by law. By this is meant basically a negative right to land use. If the land owner, whose acreage is to remain open in its natural state, gives a binding agreement to the taxing authority not to develop the land nor sell it to a developer, the assessor should not value it as development land. It should be treated as farm or woodland. Such an open space easement need give no rights of public access, although the owner could do so, for example, by giving the right of access by foot or horseback trail across his property. Obviously, the easement must be binding in perpetuity.

In the municipal context, open space easements could be used to protect a water supply or protect wet areas from residential encroachment. They could be used simply to preserve the open space aspect of a community for purely aesthetic reasons. The cluster housing concept is related to this form of easement in that the developer of the tract reserves perhaps 25 per cent of the area as open space on which no tax "ratables" will be placed. The enhancement of the remaining land built upon might add a tax base to offset preferential treatment of the open land.

Maryland has a law that provides an example of open space easements. The property owner gives the State a voluntary covenant stating that there will be no cutting of trees, no damage to the property, that the land is to be kept basically in open space. This law provides the land owner with a 50 per cent reduction in taxes. It is a voluntary program. No power of eminent domain or other public leverage is available. The public has no right to use the land, it remains private property. The covenant is not cancelable.

Groups like ours are concerned about the continuing loss of farm lands to the site developer. Farms are an attractive form of open space. What is needed is creative state action to head off inflationary land speculation in New Jersey. We know of one offer made to a farmer that was ten times the assessed value of the property. Such offers are irresistible and immediately

inflate adjacent land values. One form of deterrent is a graduated real estate excess profit tax, applicable when a land owner sells his land. A reasonable profit could be based on the purchase price and the growth in assessed valuation over the years the property was held, or a fixed growth rate per year.

Such a windfall tax proposal might be added to Assembly Bill 1271 relating to the recording and transfer of deeds.

The Farmland Assessment Act, A-1268, might be amended to include not only a revised income requirement but also the type of land, such as flood plains, steep slopes, ridge tops and wetlands. The gentleman farmer could be influenced to retain his open space as a rural amenity if the open space easement principle were applied to the assessed value.

On the other hand, the commercial farmer who had been enjoying a tax advantage but then fell for the developer's tempting offer might be restrained from making such a decision if the sale were subject to the suggested excess profit tax and the roll back of taxes by assessment at development status were increased from the present nominal time limit.

It is further suggested that Assembly Bill No. 572 concerning the delineation and marking of flood hazard areas, on which hearings were held on April 11, 1972, might be amended to include a reference to tax policy. The assessed value of such lands should be reduced to relate public interest in keeping such areas free from housing and factories, say to 50 per cent of high ground values. But in order to discourage the potential developer from using a lower tax rate as drawing card, the bill should be amended to prohibit subsidized flood plain insurance.

The intent behind Assembly Concurrent Resolution 111 is *not self-evident*. This resolution provides that "principal urbanized centers" would have the option to adopt a system of site value taxation under which land would be assessed at full value and improvements at 50 per cent of full value. Presumably, the intent is to encourage development of vacant land. Might not such differentiation lead to the promotion of high rise office buildings on a minimum amount of land? In our view, housing and open space are the needs of cities like Newark rather than more office buildings which attract white collar workers from the suburbs and add to commutation and highway system congestion. An amendment seems necessary to clarify the intent.

In several instances, we have suggested tax advantages that would result in loss of revenue to taxing bodies. To partially offset these reductions, nuisance taxes are suggested on bill boards, motorized recreational equipment, non-returnable containers and energy-using equipment such as electrical appliances and air conditioners. Special taxes devoted to an open space fund might be included in the package. In Oregon, for instance, a fraction of the State gasoline tax is dedicated to open space purchases. Property transfer taxes might be used to replenish Green Acres bond issue money and keep the land acquisition program going.

It should be apparent that tax policy can have a tremendous influence on retaining New Jersey's rapidly dwindling open space.

Frank J. Oliver, President  
The League for Conservation Legislation  
1113 Cambridge Road  
Teaneck, N. J. 07666

**29. BERARD OLCOTT, WEEHAWKEN,**  
**ATTORNEY, PROFESSIONAL AND INVESTMENT BANKER**

He is opposed to the income tax and offers an acceptable and workable plan for casino gambling. An income tax would draw revenue primarily from New Jersey citizens, while casino gambling would draw much money from nonresidents. One of the objections to casino gambling is that it is immoral, but today moral standards have changed and the question of morality of gambling is no longer an issue. A problem presented by casino gambling is how to keep it out of the hands of criminal elements. He offered a program of how to do this. He suggested that the State build the facilities with bond issues and lease them by open bidding only to companies listed on the New York Stock Exchange. The State would benefit

from the rentals and from taxing the gaming.

Assemblyman Apy suggested that Mr. Olcott present his proposal to Senator Dumont who is heading a legislative committee to study legalized gambling.

Assemblyman Vreeland stated that there would be much opposition to this proposal.

Mr. Olcott was concerned that New York might upstage New Jersey in this area.

30. LEO LIASKIS, PLANNING BOARD MEMBER,  
ENGLEWOOD CLIFFS

He felt that a well run and good community had been established in Englewood Cliffs by good planning and zoning. The tax proposals would be entirely unfair to Englewood Cliffs and would be unconstitutional. They would penalize towns that had attracted industry and have endured the sacrifices that go with industry. They would penalize such towns for the rape of the citizens of poor cities by corrupt politicians. Englewood Cliffs would have a 70% increase in its property taxes. The people of Englewood Cliffs are disgusted. Give us time to consider the proposals and to react to them. A tax reform bill and a national sales tax are being considered in Congress to handle our tax problems. Why the rush to get the proposals through. No one is aware of it. Give us time to consider the proposals and to respond to them.

Assemblyman Apy asked if Englewood Cliffs would experience a tax increase under the proposals.

Mr. Liaskis indicated that it would.

Assemblyman Foran mentioned the payment in lieu of taxes to the borough for the Palisades Parkway.

Mr. Liaskis indicated that the payment was no where near what the land would yield to the borough if it were taxed.

31. MRS. SYLVIA ROSENBLATT, TEANECK  
TAXPAYERS AND HOMEOWNERS ASSOCIATION

She opposes the income tax. She and her family came to New Jersey because of the bureaucracies in New York. Her principal objection is based on the concept of personal freedom. In New Jersey they found a community rapport that did not exist in New York. She prefers to retain a decentralized form of government, and would fight against any loss of freedom.

32. MR. R. G. ROSSLIP, SADDLE RIVER

No study has been made to determine if these taxes are necessary or if any savings could be made in the costs of government. The government contributes most to inflation by raising taxes. There is never an accounting to the public on the spending of money from bond issues. The State is one of the worst offenders of the Truth

in Lending Act because of the unpublicized added costs due to the time required to pay off the bonds. He is generally opposed to the proposed program and favors cutting waste in government instead.

Assemblyman Foran indicated that the sales tax rise was necessary because of a budget deficit left by the previous administration. He explained that a watchdog committee was setup by the legislature in 1968 to oversee the spending of bond revenues.

33. JUNE ZEGER, ENGLEWOOD CLIFFS

Testimony before the Assembly Tax Committee

June 7, 1972

My name is June Zeger and I live at 164 Wood Rd., Englewood Cliffs. I would like to urge the adoption of legislation for tax reform especially the enactment of a state-wide income tax. As you may know, Englewood Cliffs is a community famous for its high average per capita income- something in excess of \$32,000 per family- and its low property tax rate. As a resident of the Cliffs, I stand to pay a good deal more in higher taxes should this tax reform be enacted. I am certainly not looking forward to paying these increased taxes. In fact, I sometimes feel a little resentment, after having had the foresight to buy a home in this low tax area ten years ago, at now possibly being penalized with higher taxes. The mayor and council of Englewood Cliffs have come out solidly against the proposed tax reform. Why, then, do I risk becoming very unpopular with my neighbors by coming here to speak in favor of the income tax? The reason is simply that my husband and I believe strongly in the principle of equality of opportunity. We believe it is unfair for our children to be receiving an education which costs \$1800 per year while other children in this state have only \$500 spent on their schooling. We support the income tax on the basis that state services should be uniform and should be supported by those who can afford to pay.

A graduated income tax is the best way to accomplish this. Under our present structure, families with incomes under \$10,000 pay up to 19% in taxes, while people over \$25,000 pay an average of 5.4%. Under the new system, all families would pay 10 to 12%. This seems vastly fairer than what we have now. In addition, the Governor has recommended deductions of <sup>up to</sup> \$2,000 for college tuition and tax credits of \$50 and \$100 respectively for elementary and high school students in private and parochial schools. This should help to ease the tax burden for those who are still educating their children. The courts have spoken and it is clear that we must find a substitute for the property tax. Because you will surely hear a great deal from organized opposition to the income tax, I felt that I must speak up on behalf of the many who, like myself, will not be happy to pay increased taxes, but who are willing to pay them because we believe that this is the only way to equalize the burdens of school and welfare costs throughout the state.

34. JAMES W. RALPH, M.D., DEMERAST

During his recent primary campaign for the United States Senate, he found opposition to the Governor's tax proposals, including the income tax, throughout the state. People do not want new taxes. A limit must be put on the amount that government has to spend.

35. PAUL MARGOLIS, ORADELL

The state budget has increased fourfold in the last six years. Spending has gotten out of hand. New York tax rates are so high they cannot even be compared with ours, and yet New York is broke. It is unfair to allow commuters to New York to escape paying a New Jersey income tax. He questioned the constitutionality of permitting school

districts to raise additional funds on the local level for education in light of the Botter decision. Enactment of the tax plan will reward inefficient, dishonest municipal management. Potential revenue from the meadowlands will be an excellent source to the State. The end result of the plan will be higher taxes for all. The money will be coming from the average Joe making \$200-250 a week.

36. HAROLD N. WARSAWER, TEANECK

Money for the new tax will be coming from all of us. He questioned if money will be the answer to improving education. The New York City school system pays top salaries to its teachers, and yet has some of the poorest schools around. He questioned if the leadership thought it could fool all the people all of the time. He stated that he did not want to be anybody's keeper.

37. RICHARD COLGAN, JERSEY CITY

He felt that we are in a crisis situation with regard to state spending. The people would like the State to operate its budget as efficiently as possible. The State has a great deal more money today than it did six years ago to solve the problems. He asked how much money is collected in taxes in a fiscal year.

Assemblyman Foran explained the breakdown for revenues and expenditures in the current state budget.

Mr. Colgan asked what the proposed income tax rates are.

Assemblyman Foran explained what his tax liability would be under the proposed income tax.

Mr. Colgan felt that the budget could be balanced. He did not think all of our problems can be solved with money. There is a human element involved and everyone must do his share if our problems are to be solved. It would be more advisable for the State to tighten its belt now, and use the funds that are available. Then it could come back at some future time for an income tax if it is still needed. Tax monies must be used wisely.

38. ISSAC DEBOTTON, PINEBROOK

He referred to the imbalance in education and suggested that the State wait until a decision is made on the federal level with regard to the value-added tax and revenue sharing. No one has justified the need for more money. The income tax will not solve our problems. He would rather pay a sales tax. There will be a loss of local control over schools and zoning. He is wary about Commissioner Marburger and busing. The funds sought are for education and there are not enough jobs now for educated people. We should be more careful about the type of education offered at public expense. Taxes have not solved New York's problems and they will not solve New Jersey's.

Assemblyman Apy commented that \$2.2 billion must be raised for education. The committee is looking at alternatives. People differ on what is equitable.

Assemblyman Vreeland commented on the expensive nature of services provided by government, citing public higher education as an example.

The hearing was adjourned.

APPENDIX 1

TO: CITY EDITOR  
FROM: PARENTS FOR INDEPENDENT SCHOOLS  
SUBJECT: STATEMENT PRESENTED AT THE PUBLIC HEARING ON JUNE 7  
AT FAIRLEIGH DICKINSON UNIVERSITY ON TAX PROGRAM  
PROPOSED BY GOVERNOR CAHILL

Dear Sir:

Enclosed please find a copy of the above subject.

The wording of the constitutional amendment is as follows:

Article 8, section 4, paragraphs 1 and 3 of the Constitution of New Jersey are hereby repealed effective 5 years from adoption of this amendment. After that date, neither the state nor any subdivision shall make any provision for the free public education of the children in the state. The fund for the support of free public schools which heretofore existed shall be continued as a fund for the support of education. The legislature may provide by law for the use of such funds solely to create and maintain a student loan and/or scholarship program based on need and/or ability, and to secure the payment of, or to pay the principal or interest on, bonds or notes issued for such purposes by counties, municipalities or school districts, or for the payment or purchase of any such bonds or notes or any claim or interest therein.

For corroboration, please call Ralph Fucetola III, Attorney at Law  
25 River Road  
North Arlington, N.J.  
201-998-4440

APPENDIX 2

BOARDS OF EDUCATION  
CARLSTADT  
EAST RUTHERFORD  
CARLSTADT-EAST RUTHERFORD REGIONAL HIGH SCHOOL DISTRICT

BOROUGHES OF CARLSTADT AND EAST RUTHERFORD  
COUNTY OF BERGEN  
STATE OF NEW JERSEY

March 21, 1972

The Legislative Committees of the Carlstadt Board of Education, the East Rutherford Board of Education and the Carlstadt-East Rutherford Regional High School Board of Education, located in the Boroughs of Carlstadt and East Rutherford, County of Bergen, State of New Jersey, having met in joint session, and having conferred at length with their respective Boards of Education, have been directed by these boards to prepare for adoption the resolution which follows.

It is the considered judgment of the three above-named Boards of Education that this resolution should be presented as a joint document so as to emphasize complete unity of thought and determination of purpose.

WHEREAS, the New Jersey Tax Policy Committee, appointed by Governor William T. Cahill in 1970, has now presented a six-volume report recommending tax "reforms" which would change the entire tax structure of our state, as well as of our individual communities; along with the urgent appeal that this report be accepted in its entirety; and

WHEREAS, this voluminous report will take considerable time to digest, once it is printed and distributed to all concerned parties; and will most assuredly embody drastic changes which cannot, as yet, even be anticipated by the uninformed public; and

WHEREAS, the fragmentary information which has been forthcoming is rife with inequities and contradictions; and

WHEREAS, the report advises, as a means of financing public education, the levying of a state property tax, despite the fact that there exists no provision within the laws of our state authorizing such taxation, and despite the fact that the prescribed formula for statewide assessment of real property for this purpose, would most certainly result in gross inequities; and

WHEREAS, the report is most explicit with regard to the debt service or capital outlay of a district (whether it be debt already incurred, or whether it be incurred or negotiated, at some future date), when it asserts that no portion of these substantial obligations would be offset by the State from the extensive new revenues, but would remain the full financial responsibility of the local districts; and

WHEREAS, the Committee report provides that should a district desire to spend above the State determined "standard," so that it might maintain an existing level of education, this district would be required to seek local voter approval, by referendum; this despite the fact that, pending an appeal in the State Supreme Court, this system of financing has been ruled illegal; and

- WHEREAS, the Committee would vest in the Commissioner of Education the authority to limit the spending of a district, within prescribed guidelines, thereby, in a great many instances, reducing the level or quality of education which heretofore has been provided within said district; and
- WHEREAS, the Tax Policy Committee would recommend as its criterion for the disbursement of school funds, the formula of pupil weightedness, known as the Bateman Act, which would direct the major portion of these new revenues into areas where recent surveys have proven conclusively that the level of education had shown little or no rise, despite large sums of additional monies having been allocated; and
- WHEREAS, the Tax Policy Committee urges the extreme necessity of imposing upon all of its residents a State income tax; and
- WHEREAS, the Committee now would extend the 5% Sales Tax to include such essential items as clothing and construction--the only exemptions being "medical and health services, and personal services of beauty, barber, shoe repair shops and employment agencies"; and
- WHEREAS, Veterans who have risked their lives in the service of our country, so that we might remain a free people, by the recommendations of this committee, would cease to receive what meager property tax deduction they now receive; and
- WHEREAS, the Policy Committee would have all teacher salary guides and fringe benefits determined by appointees of the State, divesting local boards of this authority; and
- WHEREAS, by various recent actions, United States citizens have been *defiantly* denied the Constitutional right to vote on vital issues which directly concern their welfare, their government, their futures as free and happy Americans, their schools and the financing of same; and
- WHEREAS, our Declaration of Independence clearly provides that our governments derive their powers from the "consent of the governed"; and since the "governed" are being divested of their right of "consent" or "dissent," by the fact that the governments now plan to determine the entire restructuring of our tax systems, on a state as well as municipal level, based upon the recommendations of a Committee which worked for two years in absolute secrecy; and
- WHEREAS, despite the impassioned protests of incredulous parents, students have been, and continue to be, bussed from their neighborhood schools into other areas; and
- WHEREAS, the Policy Committee maintains that local Boards of Education would retain control of their districts, this being completely inconsistent, and virtually impossible, under their recommended proposals; and
- WHEREAS, the cost of creating and maintaining the enormous number of new government agencies required to effectuate and to operate this "package program," would be of astronomical proportions; and
- WHEREAS, the recommendations of the New Jersey Tax Policy Committee, if adopted, would, without the "consent of the governed," provide for virtually every method of taxing the New Jersey resident, with no possible way of predicting future ramifications; now, therefore, be it

- RESOLVED, that the Carlstadt Board of Education, the East Rutherford Board of Education and the Carlstadt-East Rutherford Regional High School Board of Education, located in the Boroughs of Carlstadt and East Rutherford, County of Bergen, State of New Jersey, do hereby adopt this resolution; and, be it further
- RESOLVED, that the three above-named Boards of Education do *vehemently oppose* implementation of any and all recommendations made by the New Jersey Tax Policy Committee in its six-volume report; and, be it further
- RESOLVED, that a copy of this resolution be forwarded to the Honorable William T. Cahill, Governor of New Jersey; and be it further
- RESOLVED, that a copy of this resolution be forwarded to all legislators representing our districts in Trenton; and be it further
- RESOLVED, that a copy of this resolution be forwarded to the Bergen County Board of Chosen Freeholders; and be it further
- RESOLVED, that a copy of this resolution be forwarded to the Mayors and municipal governing bodies of Carlstadt and East Rutherford; and be it further
- RESOLVED, that a copy of this resolution be forwarded to the New Jersey State Board of Education; and, be it further
- RESOLVED, that copies of this resolution be forwarded to other Boards of Education; and, be it further
- RESOLVED, that a copy of this resolution be forwarded to the Bergen County School Boards Association; and, be it further
- RESOLVED, that a copy of this resolution be forwarded to the New Jersey School Boards Association, to be placed on the agenda and voted upon by the delegates duly assembled at the Semi-Annual Delegates' Assembly in Trenton, on May 13, 1972, with recommendation by the New Jersey School Boards Association that delegates vote in support of this resolution.

Certified to be a true copy of the resolution adopted on March 21, 1972, by the Carlstadt Board of Education, the East Rutherford Board of Education and the Carlstadt-East Rutherford Regional High School Board of Education, located in the Boroughs of Carlstadt and East Rutherford, County of Bergen, State of New Jersey, at the Henry P. Becton Regional High School, East Rutherford, New Jersey.

*Lawrence L. Sass*

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Lawrence L. Sass, Board Secretary  
Carlstadt Board of Education

*Leonard J. Carparelli*

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Leonard J. Carparelli, Board Secretary  
East Rutherford Board of Education

*Nicholas J. Papa*

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Nicholas J. Papa, Board Secretary  
Carlstadt-East Rutherford Regional



