

S U M M A R Y

of

ASSEMBLY TAXATION COMMITTEE
Public Hearing On

Governor's Tax Reform Bills

June 7, 1972
Ocean County Community College
Toms River, New Jersey

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

ASSEMBLY TAXATION COMMITTEE

MEMBERS PRESENT

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

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

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

LIST OF WITNESSES

1. Andrew Praskai, President, East Keansburg Betterment Association
2. William Foster, Silver Mead Adult Community Center Mobile Home Court
3. Joseph Solimine, Secretary, Essex County Board of Taxation
4. Helen P. Leach, Member, Board of Education of Point Pleasant Beach
5. Philip Benson, Pine Woods Estate, Inc., Barnegat
6. Mrs. Edwin Fisher, Mantoloking
7. Mrs. Beck
8. H.W. Pike, Ocean Grove Taxpayers Association
9. Lydia B. Arden, President, League of Women Voters of Ocean County
10. Carl Dambach, Toms River
11. Robert Donnelly, Silver Ridge Park, Berkeley Township
12. Clifford Osgood, Roberts Park Home Owners Association, Toms River
13. William Flacks, Bricktown
14. Elaine Anderson, Middletown Township
15. Honorable Martin Vaccarro, Mayor, Allenhurst
16. Patricia A. Smith, Point Pleasant Beach
17. Will Roberts, Roberts Mobile Homes, Toms River
18. Ralph Gelburd, Toms River
19. Jack Tractenberg, Oak Tree Mobile Home Park, Jackson Township
20. Tom Muncaster, Ocean Grove Taxpayers Association
21. J.R. Stockton, Rumson
22. Robert Muroff, Long Beach Island Trailer Park

23. Tom Whelan, Silverton
24. Ned Meyer, Toms River
25. Gertrude LaPlaca, Tax Chairman, League of Women Voters of Ocean County
26. Elton Hagans, West Long Branch

A. Gerner, Sea Girt, submitted a written statement (see Appendix), but did not testify.

Mr. Bedell opened the hearing. He said several misconceptions had arisen with respect to the purpose of the hearings and the Committee's role. The Committee didn't represent the Governor and was not here to criticize or defend the Governor's program. The purpose was to find out from you, the citizens of New Jersey, how you feel.

There were close to 60 bills comprising the program. The Legislature did not get them until 2 weeks ago today, and was to act on them by July 15. That time schedule was not of our choosing. The pressure of time explained why there were not more hearings or a more convenient schedule.

1. MR. PRASKAI*

This program would hurt the middle-income people without benefitting the poor.

His organization did not believe that government spending should rise at a higher rate than the increase in economic productivity. It had been rising much more rapidly than this. The people he represented did not recognize State funding of welfare and higher education as "demands" made by them -- although it had been asserted that demands for government services made increased costs unavoidable.

The sales tax and lottery had not relieved the spiral of local educational costs "as we were led to believe."

*For Mr. Praskai's prepared statement, see Appendix.

Under this program, debt service would remain a local financial responsibility of school districts; but new school buildings were one of the greatest needs of growing communities, such as many in Ocean County.

He challenged the asserted "equity" of the graduated income tax. Loopholes and shelters had been built into the Federal income tax; wealthy persons who were able to escape taxation in this form would welcome its extension to New Jersey, since they would continue to escape income taxation while also getting some property tax relief.

He challenged the proposed income tax rates. They rose sharply from 1% to 7% at \$25,000.00 income, then more gently to the maximum of 14% at \$500,000.00 income. The rates ought to continue to rise at the same rate in the higher income brackets. The middle class was to pay, while protection was afforded to the wealthy.

He saw no justification for any "windfall" to business. There was no justification for giving relief to business while adding to the burden of wage earners.

As alternatives to the program, he suggested:

1. A limit must be placed on the total permissible increase of taxes in any one year.

2. No taxes should be increased except by Statewide referendum.

3. There should be a 1-mill tax on each business on the sale of its product or service.

4. Welfare costs should be reviewed and revamped, and all able-bodied recipients compelled to work.

His organization had made a careful study, and unanimously felt the Governor's proposed program would be a burden upon the citizens of New Jersey.

Mr. Praskai was then questioned by the Committee.

In criticizing the omission of debt service from the proposed State funding of education he had not meant to imply that the State ought to take over this cost.

He didn't want the tax package to take his money in order to pour millions of dollars into urban areas. Pouring money into these cities was "not fair to us".

He did not trust the Department of Education to keep school costs down if it should be given more authority over financing levels.

He suggested that senior citizens be exempted from school taxes entirely.

He felt that fuller and better use should be made of revenues from legalized gambling.

2. MR. FOSTER

He was representing 500 residents of the Silver Mead mobile home park. He stated opposition to taxing mobile homes as real estate, as proposed. They were already taxed through license fees and through the portion of their rentals representing

the park owner's real estate tax.

Present rents in his park ranged from \$95.00 to \$110.00. He estimated that, at prevailing rates in the township, real estate taxation of these homes would add an average of \$34.00 per month; this compared unfavorably with the \$160.00 senior citizens deduction available to real estate owners.

Most mobile home residents in this area were not transients. Ninety per cent of the residents at his park were senior citizens, and 60% were living on Social Security -- many with difficulty. They would be chased out of the State by this taxation. About 5% couldn't even get the senior citizen's exemption, since their Social Security payments were based on disability, not age.

Mr. Mancini thought consideration was not given to the "senior citizens aspect" of the mobile home tax proposal. The Committee would do considerable work on this.

Mr. Bedell: We are acutely aware of the problems you mention. Another bill on the subject, which the Committee had been working on prior to the Governor's program, was superior.

3. MR. SOLIMINE

County tax boards were not pleased that they had had no representation in drawing up the tax program, and that they had been unable to get sufficient detailed information about it.

We are for the program, because no one has come up with another proposal that will do the job of relieving the property tax.

He recited rates in Essex County municipalities as evidence of the extreme burden of property taxes. County and school costs accounted for most of the increases.

He would like to talk about the administrative aspects of the tax program.

As Mr. Solimine began to review certain administrative points, the audience in the hall gave signs of impatience.

Mr. Bedell suggested that Mr. Solimine reserve his technical material for presentation in private sessions with the Committee, as it was not well adapted to the context of the present hearing.

4. MRS. LEACH*

Not being familiar with the changes made by the Governor, she would address her remarks to the TPC proposals in their original form.

Her Board was opposed to the program. If in effect in 1971, it would have saved \$44-million for Newark; this money would have to come from areas such as ours. We are being asked to pay the tab for corruption and irresponsibility. There was no evidence that programs for pouring money into disadvantaged areas have solved their problems.

If the State were to set standard per-pupil costs, citizens would tend to reject any supplementary spending on the local level. In districts such as ours this would threaten the adequacy of the school program; since such districts have found it necessary to exceed average costs in order to get the programs they need.

*For Mrs. Leach's written statement, see Appendix

The sales tax and lottery had not succeeded in relieving the property tax; and this new program would not succeed either.

The State had already infringed on the freedom of local communities in educational matters; it would do so more if it acquired greater control over finances.

Instead of a costly new State property tax collection system, why not let the local communities collect an equalized tax, and aid the poorer communities through an improved version of the State aid machinery already in existence?

Her personal observation was that both the personnel and programs of the State Department of Education were "idealistic but impractical".

She opposed removing the sales tax exemption on dry cleaning. This was a necessity, not a luxury.

Abolition of the unincorporated business tax and increase of the corporation income tax would in many instances hurt small, struggling corporations while benefitting some wealthy professional and business men.

New taxes would not greatly relieve the real estate tax burden. The property tax itself needed reform to correct existing inequities. There should be annual inspection of assessments, with stiff penalties for improper practices. Many exemptions could be eliminated -- on some organizations which are "primarily social", church property other than that actually used for worship, federal and State property.

Mrs. Leach was then questioned by the Committee.

She feared the children would be the losers under the proposal to limit local-initiative spending to what was approved on referendum.

She felt control over education should be left at the local level as much as possible.

Mr. Bedell noted that State-level funding of education had been mandated by the courts -- whether by this program, or an amended version thereof, or some other new legislation. Whether this should be done was not left up to the Legislature, which had only the responsibility of determining how it would be done.

5. MR. BENSON

Taxing mobile homes as real estate would place a burden on senior citizens.

How would a mobile home be assessed?

They are already taxed in three other ways: a sales tax on the purchase, a tax on the mobile home park, and a license fee per unit.

Treating mobile homes as real estate would raise various problems. Would a seller require to be licensed as a real estate broker? How could financing comparable to house financing be obtained -- especially when most mobile homes cannot be located permanently on a piece of land owned by the resident?

Perhaps there should be legislation to assure that a mobile home could be located on any conventional building lot, if it were to be treated for tax purposes as a conventional home.

Mr. Mancini noted that most mobile homes in this area are not of the transient kind. We are aware of this problem. A bill is under consideration.

Mr. Benson: Perhaps a distinction could be made between a mobile home in a park and one located on a private lot -- treating the latter as real estate.

Mr. Gorman: Some legislators apparently are unaware of the existing fee system of taxes on mobile homes. Adding a real estate tax would constitute double taxation.

6. MRS. FISHER*

She was opposed to the graduated income tax. It would most heavily tax the most productive members of society. This tax and the State property tax would both require additional bureaucracy to administer. Costs of government should be cut.

7. MRS. BECK

It was high time to stop being all things to minorities. Higher taxes were destructive of incentive. The graduated income tax was proposed by Kark Marx for the destruction of America. An income tax should be voted on by the people.

She asked the Committee's opinion on the bond bank proposal.

Mr. Bedell: The Committee's purpose here is to hear opinions, not express them.

8. MR. PIKE

His association was opposed to both the State property and income taxes because of "lack of control" over these

*For Mrs. Fisher's written statement, see Appendix

funds. The proposed tax rate limits do not actually mean \$3.00, but \$3.00 "plus something" because of the excepting of debt service and uncollected tax reserves from these limits.

Even if rates were strictly controlled, the property tax could be increased by the State's changing the assessment criteria.

School costs were the main reason for the tax problem. He anticipated per-pupil costs determined at the State level would increase because of the power of the NJEA lobby. Costs of education must be stabilized.

He advocated stricter economy in State government and elimination of unnecessary expenditures.

He questioned the need for expansion of higher education, even to its present point; the economy was unable to absorb the number of college graduates being produced.

The income and State property taxes would be costly to administer.

9. MRS. ARDEN

This was her personal statement. The League of Women Voters of Ocean County would make its official statement this evening.

Present inordinately high property tax had resulted from hand-to-mouth financing over many years. The Legislature had imposed costs at the local level, where only the property tax was available to pay for them.

There was no choice in view of the Botter decision -- reform has got to be.

If federal revenue sharing comes, only states with income taxes will be able to benefit.

Mr. Bedell: I believe that has been taken out of the Mills Bill.

Mrs. Arden: This program will bring taxation according to ability to pay. It is not new taxes, but tax reform.

10. MR. DAMBACH

New Jersey has 7.2-million population and a \$2-billion budget. How much does it cost to govern the average citizen?

We have got away somehow from constitutional government. What right has the state to support a private bus company or railroad with tax money? I couldn't afford to send my own kids to college -- but I must pay for someone else.

We must pay for welfare for those who won't get off their rear end to work for a living.

I am strictly against any tax, no matter what it is -- I don't want to pay it.

11. MR. DONNELLY

There was "subterfuge" in the alleged 40% reduction of school taxes. The State tax would pay only a part of the school tax.

12. MR. OSGOOD

He was registering a protest on behalf of the 229 mobile home owners in Roberts Park. Most of them could not afford to pay the increases which would result from taxation of their mobile homes as real estate.

13. MR. FLACKS

He was a middle income working individual. The income tax would be a yoke around his neck and the necks of other middle-income people who were now struggling to make ends meet.

Federal revenue sharing appeared imminent, and should be considered as an alternative to new State taxation.

At this point, Mr. Bedell requested that Mr. John Sheridan, of Governor's Counsel, deliver some remarks explanatory of the effects of the Governor's program with regard to senior citizens. Mr. Will Roberts, one of those scheduled to testify, objected to this interruption of the list of witnesses. He left the hall, after requesting that "everyone interested in mobile homes" also leave. A number of persons in the audience left. Mr. Roberts said he would return at the evening session.

Mr. Sheridan then proceeded to explain the projected changes in the senior citizens real property exemption, and also the tax credit or rebate on income tax that senior citizens might become eligible for. He explained that the proposal to tax mobile homes as real estate was meant to provide equal treatment for all taxpayers under this program.

Mr. Sheridan answered several questions of detail put by members of the audience. The schedule of witnesses then proceeded.

14. MRS. ANDERSON*

This tax reform had been needed for some time. Urban relief had been overemphasized; there would also be much benefit to

*For Mrs. Anderson's written statement, see Appendix

the suburban areas. Communities like Middletown are just desperate.

Mrs. Anderson was then questioned by the Committee. Adoption of the Governor's program would eliminate the stress on fiscal zoning, and would permit genuine planning. There has been a search for the mythical ratable "which is infinitely valuable, yet costs nothing". Our planning [in Middletown] has been, in effect, non-existent.

15. MAYOR VACCARRO*

He represented an ad hoc committee of Monmouth County mayors (Allenhurst, Deal, Spring Lake, Sea Girt and Interlaken). He fully subscribed to the Governor's goal of equalizing educational opportunity, but disagreed with his methods.

The State property tax would increase the property taxes in about 45 municipalities. He suggested an amendment to hold these municipalities harmless.

He was opposed to any authority for the State to levy a tax on real estate; this should remain on the local level.

He believed that income tax was the proper way to raise revenue; but it must be properly structured. Most income taxes hit the middle class disproportionately.

The Committee then adjourned for dinner.

Mr. Mancini opened the evening session. He said this was the biggest crowd to attend any of the hearings. There had been a great apathy toward the tax program. He noted that originally no hearing had been scheduled in this area, but the chairman had agreed to arrange this hearing. He then turned the meeting over to Chairman Bedell.

*For Mayor Vaccarro's written statement, see Appendix

Mr. Bedell noted that the legislation had been brought forward only 2 weeks ago. This didn't give the Committee much time. The committee were not sponsoring these bills; their job was not to explain, criticize or defend the program -- that was the Governor's job -- but to get the public's feeling.

16. MRS. SMITH*

The court had abrogated the rights and duties of the Legislature in its ruling on school finance. The judge should be impeached.

Where would the State get the money to take over local costs? With State financing, the people would lose their opportunity to vote on local school budgets. A major share of the revenue would go to fiscally irresponsible cities. Schools today need discipline more than money.

Mr. Mancini: I should like to point out that the Botter decision is now being appealed, and the outcome is conjectural.

17. MR. ROBERTS

His walking out this afternoon was not out of disrespect to the Committee. He thought these hearings were wonderful.

This afternoon's hearing had tended to produce an unfortunate impression that senior citizens don't want to pay taxes.

In recent years, the mobile home industry had evolved in two directions: (1) the travel trailer, and (2) the larger,

*For Mrs. Smith's written statement, see Appendix

more expensive, semi-permanent home. Here is an industry which has devised an answer to the problem of providing middle-income housing.

The present law allowing mobile homes to be licensed for revenue is a simple, fair and easily administered form of taxation. The municipality's power to raise fees also gives it an indirect but effective form of control over the operations and policies of mobile home parks. The proposed form of taxation would be complicated and difficult to administer. It is extremely difficult to assess a mobile home. It depreciates quickly, like an automobile; its potential re-sale value varies sharply according to whether it is or is not installed in a park. Sale of mobile homes also would become more complicated if they were classed as real estate.

Most of those living in mobile homes today are senior citizens. This is the element of the population which least deserves to have its taxes raised.

Mr. Roberts was then questioned by the Committee.

Mobile homes that are not to be moved about do not require registration under the MV law; but do have to have a MV certificate of title.

In most municipalities, the per-unit license fee is the same regardless of size. He thought this was best, since a sliding scale could create administrative complications and offered possibility of inequities.

The license fee system began about 18 or 19 years ago. In his experience, the fees over that period have risen from about 50 cents to \$2.00 per unit.

Mr. Bedell pointed out that this Committee had previously been working on legislation regarding taxation of mobile homes. It has recognized some inequities. I assure you we are working on this; please make yourself available to assist the Committee.

18. MR. GELBURD*

He complained that published information concerning the tax program has been inaccurate and misleading because equalized and unequalized tax rates have been cited and compared as if they were truly comparable.

Past new tax proposals had not succeeded in relieving the property tax.

The new school tax should be dedicated. The sales tax, both at 3% and 5%, had produced less for the schools than it should have.

This State contributes only half as much to schools as do New York and Pennsylvania. This is the reason for the high property tax.

Other States have or are considering various forms of limits on tax rates.

He suggested the imposition of a tax on intangible personal property; this would hit persons able to pay who now escape taxation.

*For Mr. Gelburd's written statement, see Appendix

19. MR. TRACTENBERG

He represented the people of Oak Tree Mobile Home Park, Jackson Township -- some 250 homes, with many senior citizens, many of them on fixed incomes. They would be hard hit by the proposed tax changes. Taxing these people into welfare would defeat the purpose of tax measures; revenue would be lost rather than gained.

20. MR. MUNCASTER*

The tax proposals regarding school finance might well be found not to meet the court's requirements. Wealthier communities would still be able to spend more through referendum approval. The program also contained no safeguard for local autonomy.

The major cities would get the most benefit. We are being asked to subsidize the incompetent management of some 5 cities.

With federal tax reform imminent, New Jersey should not rush into a program which may be pre-empted by federal action.

The main emphasis should be on increasing efficiency.

Mr. Muncaster was then questioned by the Committee.

He would prefer the State raise funds either entirely from the income tax or entirely from the property tax, but not both in combination. This was increasing the tax base too much.

21. MR. STOCKTON

He was indignant at "fraud perpetrated under the guise of reform".

He read portions of a letter written by him and his wife to the Governor. He urged the Governor to stress efficiency and the finding of other sources of revenue, including legalized gambling.

*For Mr. Muncaster's written statement, see Appendix

Taxation according to ability to pay was already being done, mainly under the federal income tax, but also in many other ways. A graduated income tax destroys incentive; it also provides a "blank check" in automatically increasing revenue.

Mr. Stockton was then questioned by the Committee.

He objected to the income tax as too open-ended, subject to expansion and to abuse. He also felt incomes are already highly taxed by the federal government on a graduated basis.

Legalized gambling was not the entire answer to our revenue needs, but a good place to start.

22. MR. MUROFF

The proposed tax program would be destructive of the "dignity" and "quality of life" which many people had left the cities to seek.

Taxation of mobile homes as real estate would not be easy to administer; he cited the earlier testimony of Mr. Roberts on this point. It would also discourage people from improving and upgrading the quality of mobile homes.

Mr. Muroff was then questioned by the Committee.

In his opinion, accurate assessment of mobile homes as real estate would be impossible. The license fee system was the best method of taxation.

As an alternative to the Governor's program, he suggested a program of "people equalization." People should be encouraged to move out of the central cities to areas such as this. He did not approve of increasing block grants to municipalities. He

didn't think money was the answer: people have to look to themselves for some sort of inner strength. The problem is more one of people's mores and moral values, rather than something that can be cured by the infusion of money.

23. MR. WHELAN

Citing Mr. Mancini's earlier remark about public apathy, he said the people in the cities have been most apathetic, despite the fact that they are the prospective beneficiaries of this program. They have been similarly apathetic while the cities were being destroyed by corruption and waste. People in this area are more interested in good government. People get the kind of government they deserve.

The tax bite was getting ever bigger. It would hurt young people who had sought education and worked hard to improve themselves, as well as it would hurt the senior citizens. The only good coming out of the proposal was the closing of the generation gap -- "everybody to be shafted equally".

He urged greater emphasis on methods of controlling costs.

24. MR. MEYER

The number of different taxes should be reduced; there would be some saving from consolidation. The proposed program would create an additional administrative burden for the State.

The proposed State property tax was not sufficient to replace costs now borne locally.

Mr. Mancini: This was not the intention. A State property tax to replace the entire school burden would require a rate of about \$2.25. The proposed State tax rate is \$1.00; the balance to be

made up from the income tax plus a portion of the costs that will still remain on the local rates.

Mr. Meyer: Why tap three different sources?

Mr. Bedell: I would point out that the Tax Policy Committee has set forth its reasons for this. It is not our purpose here, however, to either criticize or defend the program.

25. MRS. LA PLACA*

This tax reform was needed. The present structure was a hodgepodge. Mandated costs had been piled upon the localities, creating an overdependence on the local property tax. This tax falls more heavily on families in the low-income brackets. Also, it is not elastic; when more revenue is needed, new taxes or higher rates must continually be imposed. Property taxation also has led to fiscal zoning, which in turn is responsible for poor land use patterns.

The Governor's program was not meant to increase the tax burden, but to redistribute it equitably, and to create a structure in which revenue would grow evenly with the growth of cost factors.

For equity, there would have to be those paying more than they are, as well as those paying less. Responsible citizens should judge not merely on the basis of how it affects them personally.

*For Mrs. LaPlaca's written statement, see Appendix

Mrs. LaPlaca was then questioned by the Committee.

She believed help would eventually come from the federal government, but not to any great extent in the immediate future.

26. MR. HAGANS

Spending by government tended to be inherently wasteful, in the absence of the disciplines of competition which compel private business to spend efficiently.

Taking money from its rightful owner by force in order to use it without regard for his own benefit was not right. He couldn't see why he should be taxed to provide for those who had had a lifetime to provide for themselves. Being unmarried and childless, why should he be taxed to provide for schools?

Welfare handouts should be eliminated. Laws making parents, children and other relatives responsible for the support of members of their families should be enforced.

Those who, for lack of any other resource, had to be helped by the government should be given aid on a loan basis and required to pay it back after they get off welfare.

Some responsibility had got to be faced somewhere along the line.

Mister Chairman:

ANDREW PRASKA:

I would like to take the opportunity to thank you and your Committee for allowing me to express the views of the East Keansburg Betterment Association.

It is true our taxes on home owners are a burden and the inability to pay taxes has created hardship to our Senior Citizens and your young to buy new homes or old homes, or maintain same.

It is true with this tax proposal in its present form that we believe that the poor remain poor and the middle income become poor and the rich stay rich.

It is true government spending has increased 400% in the last 12 years. We believe you will find our economy did not raise 400% - Our productivity did not raise 400% -- But Government spending has. We believe Government spending should not rise above the increase in productivity which averages about 4% yearly. Our political leaders tell us that these increases are in response to our demands for more and better services. We are at a loss to identify those of us who are demanding such increases. It is true we would like better roads (they are not improving in the state) we would like better air and purer water (we haven't started yet to correct these problems) and we would like improved mass transportation (this has been deteriorating). Our tax monies are not being spent on such items that affect all of our citizenry. We do not know where these taxes are being spent. We are building higher education facilities faster than they can be effectively utilized, we are about the most generous state in total funding of welfare payments and we are constantly adding employees to the public payrolls. Are these and other such programs considered as our demands for more and better services?

EDUCATION.

Perhaps we citizens were naive but we were led to believe that the Sales Tax would provide relief for our educational bill. We are paying the Sales Tax and see no affect on our upward spiral of educational costs. We were again led to believe that the Lottery would provide relief for educational costs. We have seen no signs of such relief. Furthermore, the tax policy commission has apparently

thrown up its hands with respect to present bonded indebtedness of school districts and new construction. Much has been made and the proponents of this plan continue to speak in glowing terms of "equity" "Fairness" and "ability to pay" yet one of the major problems of fast-growing communities is the desperate need for new construction of school capacity and this was ignored in the plan we are asked to support.

INCOME TAX.

Again, I want to refer to the constant publicity about "equity" and "ability to pay" that are hallmarks of this proposal. We are led to believe that the proposed state income tax is "equitable" because it is "progressive", it increases in rate as income increases, and it distributes the tax load equitably over the higher income groups.

We know that there is growing taxpayer anger and revolt over the "loopholes" and "tax shelters" built into our Federal Income Tax structure. We read of the very wealthy who, in many cases, pay no income taxes at all. What will happen to these people in New Jersey under this plan? I am sure they will welcome it. With the State Income Tax being based on net income as computed on the federal basis, they will pay no state income taxes and they will have a nice reduction in their property taxes. They should welcome it!!!

Again, it is proposed that the rate rises sharply to 7% for an income of \$25,000 and then levels out so that it reaches 14% only when income reaches \$500,000. If it is "equitable" for the rate to rise so fast to \$25,000 why shouldn't it continue to rise at the same rate?

It seems to us that this plan is designed to place the burden of taxes squarely on the shoulders of the Middle Income Salaried or Hourly Worker. There is much relief for the low income group, there is continued protection for the wealthy against paying their "fair share" and that leaves the great Middle Class to pick up the burden again.

BUSINESS WINDFALL.

I am not thoroughly familiar with Governor Cahill's change in the tax policy commission's recommendation with respect to business taxes. I do know that the original recommendation would have resulted in a net loss of revenues from business with a corresponding increase in the payments of individuals. I also know that new Jersey's taxes on business are just about average for the country as a whole. I believe that business must continue to pay its share of total revenues. By that I mean that if total revenues must rise by 10% then business taxes should rise by 10%. I can see absolutely no justification for further burdening the average citizen and offering relief for business. As I believe that the wealthy must truly pay their share of the tax load, so I believe must business pay its fair share.

CEILINGS ON TAXES.

As we understand the proposal, limitation would be placed on the amount of property taxes that could be assessed in the future. We are, in effect, placing a limitation on the sales tax because it is called "regressive". With the cost of government state wide (community, county and state) rising at a rate of 10-15% yearly, where will the additional monies come from to bear these additional costs? Assuming that the economy rises about 4% each year that will leave 6-11% to be increased in taxes. The only place it can come from is income taxes. The point that the New Jersey Tax is "only" 1/2 of New York's is misleading. In a very short time we will be taxed as New York residents are taxed and our political leaders will be pleading for more monies as they are now doing in New York.

ALTERNATIVES.

What do we propose. We suggest several avenues:

1. If we are to be fiscally responsible we must put some limitation on the total yearly increase in taxes. We surely cannot continue indefinitely to have the economy increase 4% each year and government spending increase by 10-15%. Let's insist, by statute, that total spending will not exceed the rates once they are established.

2. People should have a voice in increased spending. We recommend that any taxes will not be increased unless the citizens, by referendum, approve of the increase. We are tired of our political figures using taxes as a political football and we have learned that neither party has any scruples when taxes are at stake.

3. We propose that all business pay a business charge of one mill on each dollar realized through the sale of their product or service.

4. We believe it is time to review and revamp our welfare costs. The working man will soon be unable to pay for the sharply increased costs of supporting those who are not working. If it involves insisting on those who are able bodied being required to work at some job we would favor this approach over the present negative attitude that the pride and sensitivity of the welfare people must be protected to the detriment and ever-increasing burden on the working man.

SUMMARY.

We do see a need for a change in our state -- the present burden on property owners is unbearable. We do not want to substitute a system, however, that will bankrupt the middle income working man or reduce him to little better than the poverty level. Let's not assume that economy in government is unattainable or that we cannot live on a budget that increases by 4% yearly. If we, as citizens, must learn to live within an income that increases by this amount yearly, then our government must learn to do the same or we face chaos.

*Thank You
A. Praskai
President*

MRS - HELEN P. LEACH

Mr. Chairman and members of the committee hearing the testimony on the tax policy committee's report. I am Mrs. Helen P. Leach and I reside in the town of Point Pleasant Beach, in the county of Ocean. I am prepared to testify as a resident of New Jersey, as a businesswoman, as a mother of four sons, and as a member of the Point Pleasant beach Board of Education. The order I have just given is not necessarily listed in the order of top priority or importance regarding the tax report. During my earlier days I was a high school business education teacher. To educate our four sons I am hopeful that the opportunity to return to this profession in the very near future will be available to me.

I appreciate each legislator's effort being given to these public hearings. For a layman it has also been a very busy year. A few weeks ago I had the opportunity to address the committee hearing testimony on A521 which I oppose strongly. I will continue to fight this kind of legislation at every level of government because I now read the NEA is going to power lobby in Washington, going beyond the state, so public employees can receive a nationwide okay to strike. Catastrophic---both the idea and the end result if it ever becomes law!!!! let me now procede with the issue of tax reform.

As a Board of Education member I actually represent the entire board with my testimony regarding the educational aspect of the Report. We oppose the Report of the N. J. Tax Policy Committee. The proposals, as stated in the Report, are far-reaching and will have great impact on the citizens of New Jersey, and particularly Ocean County. Had the Committee's tax proposal been in effect for the year 1971, the city of Newark would have saved the tidy sum of \$44,000,000. Obviously these funds must come from areas such as ours, to be channeled to the urban areas. This explains why the large city mayors have unanimously endorsed the proposal.

New Brunswick's mayor states she needs the program desperately to give New Brunswick's children equal educational opportunity. She went on to say quote "more dollars are not the only answer to educational needs, but I'd rather struggle with the money than without it," unquote. It's so much easier to spend it when you don't have to earn it. This is equality? We do not have chauffer-driven limousines for our public officials. We plan programs that will benefit our students; we do not throw away good money after bad. However, we are being asked to pay the tab for corruption and poor planning and irresponsi-

Handwritten notes on the left margin:
Point Pleasant
Board of Education
New Jersey
Tax Policy Committee
Report
far-reaching
impact
citizens
Ocean County
Newark
\$44,000,000
urban areas
mayors
New Brunswick
educational
chauffer-driven
public officials
students
corruption
poor planning
irresponsi-

bility. Gentlemen, when revising programs, consideration has to be given to all peoples in this state if you are to make any sense when you talk equality.

If, by showing our concern if only out of compassion for areas such as Newark or New Brunswick, and if we agreed with this philosophy prescribed by the Committee, Governor, and even the Court because the programs would work, then let us get on with the job!! However, where additional moneys have already been poured into disadvantaged areas there is no real conclusive evidence that the philosophy is indeed working. It is not working at present and will not work as presently outlined. The problems in achieving equal education reach far beyond the educational tax dollar. Solve the problems being created by equal opportunity without demanding or receiving equal responsibility before you come asking for help from communities that have given up much to have what meager advantages they may be enjoying today, like rusty water conditions, outdated sewerage facilities. So far we do have fairly clean air and we are hopeful this remains. However the State approved incinerator attached to a super market just across the street from me continues to belch black smoke and obnoxious odors into the air at all hours. If our health inspector doesn't see this at the precise time it occurs there is nothing she can do but warn the store. Several days later the belching of impurities continues. So we at the shore have our problems also and the cost to improve the water and sewerage, let alone education, will increase our taxes greatly in the few years ahead. ^{The incinerator is, I remind you} ~~operating under local controls.~~ ^{under State jurisdiction--not}

When the State says it will pay \$1000 per student to educate this student, isn't it safe to assume taxpayers will tell Boards of Education quote "If the State says it can be done for \$1000 we insist you do it for \$1000, and no thanks to your leeway tax" unquote? ~~We have many retired folks joining us in Ocean County and they do not always understand the additional costs needed by local Boards to meet the demands of the State Department of Education.~~ Each district's education costs are determined by various factors. In Point Pleasant Beach we have a staff, the majority possessing master's degrees and located on the top step of the guide; we also have a small enrollment. Consequently we are approaching \$1400 per pupil cost. We cannot offer our students the programs that are available to students in the city schools; we lack variety in meeting the needs of all of our students. With the tax proposal we have absolutely no

guarantee we'll be able to even maintain the program we currently offer, much less improve it as we have been attempting to do each year. So I ask what good is the leeway? ^{the State's allocations back} ^{each district does not include} ^{dollars for new construction or} ^{previous debt service. Cuch.}

Property owners have been deluded in the past into thinking that their property taxes would be reduced by a sales tax; then there was an increase in that sales tax; and, most recently, a lottery which has been more successful than even its staunchest proponents predicted was to reduce property taxes. I have read that in the present fiscal year over \$620,000,000 of state revenue comes from the sales tax and the state lottery? This is added revenue not available five years ago. Where has it all gone? I think it's about time the citizens demand loudly from our legislators the answer to this question. New taxes will not relieve the home owner any more than previous new taxes have. Why? Because the morality of state officials and their lust for spending money of others has not changed.

Recent Court decision has held the present method of funding education to be unconstitutional. In effect, the Court said it is discriminatory to permit schools to be financed by a local property tax. The Tax Report says it is not discriminatory to take this local function away and hand it over to the State and collect a State property tax for education. The real issue here is FREEDOM more than discrimination. The State collects education moneys and the State will direct educational changes. The State already infringes upon the freedom of our people with the power it currently can wield. We are not so naive in Point Pleasant Beach to know and see this and we want to keep what little freedoms we still have left. Is this asking too much? We don't need new Bureaus or Agencies in the State. Much of the money to be saved by the real estate owner will be devoured immediately with the State collecting its own real estate tax and adding an income tax. There has been little discussion of one area of the proposed taxes-- the cost of their collection. At the time of Connecticut's ill-fated income tax, the state tax commissioner confessed that he would need 250 agents and it would cost Connecticut at least one million dollars just to collect the new tax. ~~Why~~ Why not let the individual districts continue to collect what would be computed to be an equalized real estate tax for education, and then forward their percentage to help those districts that cannot help themselves to the already-created and functioning State Department of Education. This Department, in turn, will have created, hopefully, a fair formula which

will assist the Department in dispensing moneys required to equalize programs in the needy districts. So far I have testified for my Board of Education, ^{as well as for myself} I have one statement to add, however, that strictly my own personal observation. I do believe my fellow board members would agree, but I won't testify on assumptions here. I have seen some of the programs the State is encouraging and fostering. I have seen some of the people the State has hired to promulgate these programs. I conclude both the programs and the people directing them are the result of intellectual idealism. They sound good in most cases, but nevertheless are impractical, unrealistic, expensive, and usually real proof of success is absent. We don't need all of this idealism. There are very few administrators that tell the story as it really is. ~~Many~~ are on Cloud 9. Amen!

Now I would like to address my remarks as a businesswoman. I am distressed to read clothing and dry cleaning and laundry services are to be added to the sales tax, while a hairdresser will continue to receive exemption from collecting a sales tax. Any woman can wash and set her own hair. Going to the hairdresser is strictly a luxury. I can even agree that getting one's laundry finished professionally could be considered a luxury. However, buying clothing is no luxury and cleaning this wearing apparel is no luxury. These two items are necessities. No woman can create and sew all her family's clothing needs. Nor can she clean these clothes without excellent chances of ruining them with X-Brand spot remover or XYZ cleaning solution. I feel very strongly that wherever luxuries are not covered in the collection of sales tax, they should be added. However, I ^{also} strongly urge the reconsideration of items that are not luxuries and yet recommended to be taxed. Clothing and dry cleaning are necessities. ^{In addition, I believe} Our society today makes the services of an accountant and lawyer a necessity also.

I note that the corporation net income tax is recommended to be increased while unincorporated business taxes are to be abolished. The tax recommended to be abolished is going to help those who already operate with fewer costs and headaches. By increasing the corporate net income tax, those businesses which can least afford it will be taxed even further. I do not speak now for corporate giants--I speak for the thousands of ^{is} small, incorporated businesses finding it more difficult to agree ^{it} worth the extra hours, strain, and effort in comparison to working for others.

As a mother I would like to suggest that legislators check into our State medical college to learn who is attending this school. It may shock a few of you. Our oldest son, a college ~~graduate~~ pre-medical student, requiring close to \$5,000 per year to meet his college expenses was told after attending college but one month as a freshman student, to pray for the next four years because he happened to be a New Jersey resident and there was little opportunity for New Jersey pre-meds, regardless of their grades, to be accepted by medical schools throughout the United States. New Jersey cannot reciprocate with these other medical schools because it lacks medical school facilities for its own students, much less accommodating out-of-state students.

Upon checking you will learn the disadvantaged are the recipients of our medical school's facilities at the present time. Is this equality? For all I know the State could be paying for their education also. The argument fostered by those permitting this to happen is that the ghetto and low-income areas need their own professionals to serve them. This is fine, but I dispute it. A young man or woman paying up to \$5,000 per year for four years, with never a guarantee of being accepted by any United States medical school, and studying under extreme pressure for four years due to this situation, would be just as dedicated--or even more--serving in a ghetto or low-income area as the disadvantaged young man or woman. All I am requesting is that there exist a ratio of those students applying to our one medical college to achieve equal opportunity when facilities are so limited, until such a time, at least, when we in New Jersey do have sufficient facilities to meet our own State's needs. I am hopeful that lottery moneys are presently being used to improve this deplorable situation. I am hopeful, too, that equality in admissions to our medical school and ~~any~~ ^{other} schools will prevail.

As just plain Mrs. New Jersey resident, I object to the manner in which this Report is being presented to the public, leading the public to believe that the savings in real estate taxes will greatly assist them. In reality, the total tax bite will increase the taxpayers' contributions to financing educational, municipal and county needs. Unfortunately for the public, the Governor is making every attempt to make it sound like the fairest form of taxation for all peoples, and he is attempting to get immediate acceptance and action on this Report. An always apathetic public, unfortunately, does not have the ability to judge accurately, to compare, to make a valid judgment.

I understand there will be a minimum of 13 municipalities in Ocean County that will have an automatic real-estate tax increase if this plan were to be adopted.

Just keep telling the public real estate taxes will go down 40% and the man who complains the loudest, does the least, and spends the most without planning ahead is the first one to jump on the bandwagon. For those of us who object to this socialized scheme and take the time to prepare testimony and take the time to deliver the testimony, I believe that for each one of us there are at least 100 others that fully agree with our position. Eventually our message will come across loud and clear, but hopefully not too late.

The citizens in our area are not at all enchanted, not that eager to help their neighbor when the neighbor is now in fiscal difficulty due to absolutely poor planning, dishonesty in far too many cases, poor management and direction. Far too often in the past, progress in communities has been geared to not what is really needed, but to the number of votes certain actions would guarantee the politician's re-election. We are now being told that prudent, pay-as-you-go management must be penalized. Communities that have remained solvent because they did without if they couldn't afford are now being told they must be penalized to assist the big spenders. The philosophy to give the awards and prizes to those areas that let corruption and political expediency thrive can only bring ruination to our state. The strong are destined to become weaker and why should the weak become strong? The weak are receiving the awards for being weak, so why change? We in Point Pleasant Beach have what is considered high tax ratables; not because we have industry and certainly not because we boast a totally high-class residential area. Our valuations are high because of the oceanfront property. These property owners help keep our tax rate down and give many of our children summer jobs. This is true. However, the bulk of the population in our town is middle-class or below middle-class insofar as incomes are concerned. We cannot afford to pay higher taxes to take care of other areas when we should take care of our own needs first. ^{As noted earlier,} we face very expensive expenditures to resolve an extremely stubborn and lengthy rusty water problem plus an additional huge expenditure to resolve an antiquated sewerage problem. Even without industry our air is becoming more polluted due to State-accepted incinerators ~~attached to super markets.~~ ^{without adequate controls} If ~~our local health inspector isn't on the spot at the time of the pollutants entering the atmosphere there isn't a thing she can do, but scold the management.~~ I repeat these incinerators are not locally legislated, but under State laws.

Mrs. Edwin Fisher
1212 Ocean Ave.
Mantoloking, N. J.

Governor Cahill has repeatedly stated that the proposed personal income tax is a graduated tax -- so those most able to pay will pay the most! This sounds good if one does not stop to think it through -- as I see it. To me it means the harder a person tries to produce the greater is his condemnation to vassalage, for the most productive members of our State will become the ones most held in bondage by the Governor's tax program. This sounds like socialism -- and I can't stand that sound.

Many families in New Jersey are suffering under economic pressures; but who can prove to them that taxes taken by the State from the wellspring of producers will ever be used to their benefit? How much more likely it will go down the drain in Trenton with all else. For instance, countless new departments must be set up. An untold number of State jobs will be incurred for what the municipalities now accomplish quite handily in their own property tax departments.

All those under back-breaking economic pressure understand a more simple fact. Government overspending and government overtaxing go hand in hand. Fiscal relief for New Jersey is in the hands of those that govern. It is cut the costs.

From all over the State reports are piling up that

taxpayers who formerly have been generous and painfully tolerant are banding together in order to force fiscal sanity. They are fed up with a steady stream of new taxes and are on the defensive -- that means the warpath -- against them! The latest Harris Poll reports that 70% of the people would sympathize with a tax strike.

Legislators in Trenton will be hearing from constituents virtually quiet in the past, but at this time adamantly opposing new State taxes! If taxpayers are not listened to now and are helpless and defenseless in their opposition, one way comes to their rescue, the ballot box. And a peek into the future shows me quite a number of 1972 New Jersey legislators sitting behind a desk, but the desk is in their law office or former place of business.

Let me close with one short sentence. New Jersey legislators get off the spending binge. Cut the fat from Governor Cahill's budget.

Elaine Anderson

Taxation Committee Hearing - N.J. Legislature - Ocean Co - 6/7/72

Gentlemen: I am Elaine Anderson of 49 Hubbard Avenue, (Red Bank P.O.) Middletown Township. I speak today to urge you to get on

MAY 31, 1972
Letters to the Advisor

Says taxes would be less

The basic recommendation of the New Jersey Tax Policy Committee is to reduce by about 40 percent the amount that must be raised by local property taxes. Complex subjects are sometimes more easily understood by looking at specific examples and I chose to consider Middletown, where I live. In 1971 we raised \$15.2 million by property taxes to pay for municipal school and county costs. As the Tax Committee proposal works out for Middletown, the state would assume \$5.7 million of our school taxes, \$660 thousand for local and county welfare costs, \$100 thousand of general municipal cost, \$230 thousand for the controversial and perhaps-to-be-dropped proposal to eliminate the veterans exemption and a few other items, so that the total to be raised locally would be reduced by 45 percent to \$8.3 million. This includes the remaining municipal, school and county costs, plus Middletown's share of the proposed state-wide property tax. The corresponding reduction in the tax rate would likewise be 45 percent, from 5.24 to 2.88. Our reduction would be greater than the average of 40 percent because our tax rate is higher than average now.

In order for the state to assume these costs, it is obvious that the state revenues must be increased. The principal sources proposed are a state-wide property tax and a personal income tax, plus much smaller amounts from minor, although controversial, adjustments in other taxes. There are no plans, as part of the Tax Committee Report to increase the total amount to be raised by taxes. Again, we need a specific example to see the effect of this shift in the source of funds for government purposes.

Let us examine the effect of the proposal on a person who makes \$10,000 a year and who lives in a \$30,000 house, which in Middletown, in 1971, was assessed at 70 percent of its value or \$21,000. The 1971 tax rate would drop from 5.24 to 2.88, so the taxes on this home would drop from \$1100 to \$605. How much would his income tax be? The Committee report, in Table 5-32, gives the net New Jersey income tax due for a family of five, considering the effect of credit on his Federal income tax. For our case, the NJ income tax for the whole year is \$68.00. Our hypothetical taxpayer is over \$400 to the good. Suppose that he retires and his income drops to \$5000 a year; his NJ income tax is zero and the nearly \$500 reduction in his property tax is all his. On the other hand, suppose he gets a couple of big raises and his income goes to \$15,000. From the increased income of \$5000, the additional income tax to be paid would be only \$107. In fact he would have to make more than \$25,000 a year before the total, income plus property tax under the new proposal would be as much as his present property tax alone.

These figures apply only in Middletown. In other places, where the present tax rate is presently below average, our hypothetical citizen will pay more taxes than he now does. However, in all of Monmouth County, there are only four of the so-called "tax havens" where the property tax is presently so low that this tax reform means the rate will actually go up.

Richard R. Anderson

with the vital task before you and to enact the tax reform we need - and have needed for so long. The attached "letter to the editor" which has appeared in Monmouth Co. papers ~~expla~~ explains very clearly what the tax reform would mean to Middletown residents. I think there has been an unfortunate stress on the advantages to cities and more urbanized areas. Certainly suburban communities with lots of children in school - 25% of Middletown's population, ^{is} attending ^{our} public schools today - and lots more coming from the empty land where residences are sure to be built in the near future - should be conscious of the great relief offered by this tax reform. In Middletown our school system is deteriorating; the state cannot afford not to relieve this and the hundreds of similar situations.

The income tax as the means for reforming our tax structure is long overdue and I support it. The fact that public confidence is eroded by the make-dos and excuses for tax relief in the recent past does not remove your obligation to act in the public interest. Remove the inequities and inequities of the property tax, and adopt real tax reform!

Thank you

Elaine Anderson

MAYOR MARTIN J. VACCARO

TESTIMONY OF MAYOR MARTIN J. VACCARO, BOROUGH OF ALLENHURST, N.J.
CHAIRMAN OF MONMOUTH COUNTY MAYORS AD HOC COMMITTEE FOR TAX REFORM
STUDY.

June 7, 1972 HEARING OF NEW JERSEY ASSEMBLY COMMITTEE ON TAXATION

PLACE: OCEAN COUNTY COLLEGE, TOMS RIVER, N.J.

My purpose in testifying before you today is to voice the opposition of our committee to Assembly Bill #1252 which would impose a state tax on all real estate at the rate of \$1.00 per \$100 equalized valuation. We strongly urge that this bill be rejected by your committee and that no tax on real property be levied by the State. Our reasons are as follows:

1. Governor Cahill has stated in his message to the New Jersey Legislature on May 18, 1972 and in numerous appearances and releases to the public, that the purpose and thrust of his tax reform proposals is not to find new taxes for the State, but to find a way of relieving the burden of real estate taxes on our citizens. He further maintains that his tax proposals will produce an average reduction of 40% in local property taxes throughout the State. Nevertheless, Assembly Bill #1252 will result in increased property taxes averaging approximately 19% for about 45 communities caused mainly by the fact that they will be paying more to the State in real estate taxes than they will receive from the State as their allotment for "Standard Quality Education."

2. The affected communities are, in the main, not "tax havens" as claimed by the N.J. Tax Policy Committee. The great majority are well run residential communities with low ratios of industrial/commercial ratables. These property owners are no more able to pay additional taxes than those in other communities in the State. It must be recognized that ownership of property is not a valid indication of income or ability to pay taxes. Many homeowners are living on fixed retirement incomes or are so overburdened with mortgages and other financial commitments that they are unable to pay additional taxes. We have no simple solution for the relatively few communities that are reaping tax benefits from an inordinately high ratio of industrial/commercial properties. However, with some study, the State should be able to find a means of levying on them a fair share of the tax burden. In any event, there can be no justification for penalizing other communities to get at these "tax havens".

3. Although the total amount of funds which would be levied by the State through real estate taxes is \$555,258,654., the net effect is that about 48 school districts will be paying the State a total of \$9,036,585. more in such taxes than they will receive from the State as their allotment for providing "Standard Quality" education for their public school students. These communities, which have a total population of approximately 155,000, will be paying approximately \$58 per capita in additional real estate taxes. This amounts to \$290 for a family of five.

4. The net amount of revenue which will be lost to the State if Real Estate Tax Bill #1252 is not enacted is only \$9,036,585 minus the cost of administering the program. This is a very small sum when compared to the total monies involved in the complete tax package. It is less than 1% of the \$926.1 million which will be realized from the proposed income taxes and other non-property tax levies. It is, furthermore, less than 1.5% of the total additional funds (\$607.9 million)³ needed for school purposes after deducting the amount of real estate tax levy (\$553.3 million). It should not be difficult to compensate for the \$9 million loss through economies in state operations and other sources of revenue.

METHOD OF IMPLEMENTATION:

We recommend that the basic provisions of Assembly Bill #1272 regarding State financing and disbursement of funds for public school districts be adopted with sections 8 and 12 amended to read as follows:

"8. Subject to section 13 of this act, each school district shall be entitled to an annual distribution of the amount of promulgated cost per pupil for that district multiplied by the number of weighted pupils in the district on the last school day of September of the current school year minus 1/100 x the equalized assessed valuation of the school district. If this computation results in zero or a negative amount, no funds shall be provided by the State to the district to pay for current expense costs per pupil provided for in Section 6".

"12. Any district which has, prior to the effective date of this act, been spending less than the amount of promulgated cost per pupil for that district multiplied by the number of weighted pupils in the district on the last school day of September of the current school year may increase its expenditures to that amount

Some of the benefits which will accrue from our proposals are:

No arbitrary additional real estate tax burden will be imposed on a segment of State communities.

The administrative costs incurred by local communities for collecting and forwarding taxes to the State, only to have all or part returned to them as school allotments will be eliminated.

The administrative costs incurred by the State for receiving, accounting for and re-distributing the taxes to local communities will be eliminated.

I would like to reiterate that we are strongly opposed to any bill which would authorize the State to levy taxes on real estate. Once such taxes are adopted, they will never be removed and there is no question but that they will escalate over the years.

This source of revenue should be retained intact for the sole use of the communities. This will encourage good government on the local level. As you Assemblymen know, elected municipal officials are judged on the manner in which they manage the revenues available to them.

NOTES:

- ① Summary Report, N.J. Tax Policy Committee, p.19
- ② Summary Report, N.J. Tax Policy Committee, p. VI

Morton Saccor

EXHIBIT A

Municipalities Experiencing Increased Real Estate Tax Rates from Adoption of Tax Program

	<u>INDUS/COM L</u>		
	Rank	Percent	% Increase
	in	of	Real Estate
	State	Ratables	Taxes
Teterboro	1	98.23	122.7
Rockleigh	2	83.75	111.0
-Travistock	4	82.14	21.8
S. Hackensack	5	77.64	11.0
Carlstadt	6	69.05	10.2
Moonache	9	66.61	8.4
New Hanover	37	44.38	58.8
Englewood Cliffs	40	42.25	14.5
Pahoaquarry	53	39.59	151.0
Wildwood Crest	56	39.29	8.0
Ridgefield Boro	83	34.91	32.7
Wildwood	84	34.28	4.5
Seaside Heights	101	32.09	6.4
- Allenhurst	158	25.86	9.8
- Pine Valley	203	22.50	24.8
Upper Township	219	20.81	14.8
Blairstown	257	17.58	260.5
Ship Bottom	262	17.32	11.8
Beach Haven	282	16.41	9.8
N. Wildwood	306	15.32	2.6
Fort Lee	362	12.46	8.1
Alpine	376	11.91	8.1
Ocean City	383	11.61	6.0
Sea Isle City	386	11.59	6.8
Seaside Park	387	11.59	7.4
Stone Harbor	389	11.49	48.8
Spring Lake	410	10.28	16.9
Barnegat Light	428	9.45	14.5
Avalon	432	9.35	27.2
Far Hills	440	9.13	8.8
Bedminster	442	9.10	4.1
Bay Head	477	7.50	12.2
Surf City	496	6.19	13.5
Lavalette	503	5.88	18.4
Sea Girt	518	5.33	1.4
Long Beach	524	4.34	14.3
Longport	531	4.56	13.0
Walpack	532	4.49	8.5
West Wildwood	540	3.91	8.3
Harding	542	3.78	15.5
Harvey Cedars	549	3.13	11.9
Saddle River	559	1.90	12.4
Mantoloking	562	1.08	51.4
Cape May Point	563	.58	13.2
Interlaken	567	0	11.0

Patricia A. Smith
809 Rosewood Ave.
Point Pleasant Beach

My name is Pat Smith. I am a resident of Point Pleasant Beach and the working mother of five boys. I have never spoken in public before and am scared to death, but I figure it's now or never.

In the first place, I don't see how a law governing the financing of public schools that has been in effect since their inception, over a hundred years ago, can suddenly be unconstitutional. Were our forefathers so stupid or unpatriotic to allow such conditions to permeate the land for over 100 years? Our legislatures, judges, governors, etc. all wrong for over 100 years? Ridiculous!

This is just another case of the judicial abrogating the rights and duties of the legislature and making new laws without representation and without a vote. This is unconstitutional! And the judge who did it should be impeached.

I am personally fed up with the tax and tax and spend and spend mentality of our governing bodies.

Last night in the Asbury Park Press Governor Cahill wrote that the local municipalities vote down higher school budgets because they can't afford any further increases. Two paragraphs later he says he's going to relieve us of that burden and have the State pay. Where, pray tell, will the State get the money except from the proposed taxes on our homes and

incomes. \$1.00 per \$100.00 now -- when they want more money we won't have the opportunity to vote down that school budget. It will be passed for us by our representatives.

An unfair, not equal, share of the money will go to the fiscally irresponsible cities who have spent themselves into bankruptcy, who have driven business away with their exorbitant taxes and now are the loudest to cry of the greatest need.

Earlier today emphasis was placed on equal education for all children. This is nonsense. Is a child with a 90 I.Q. going to get an equal education with a child with an I.Q. of 150? Never! An equal education is a lie. An honest description would be an effective education for all children.

Education has become a god in this country, and we pour forth monetary sacrifices before it constantly, and still Johnny doesn't learn.

What we need in all the schools today is discipline more than money -- discipline for an effective education on a local level.

Take effective measures now to impeach the judge, amend the Constitution if necessary, return the schools to the local level and maintain taxes on a local level. No State or federal money is ever given without "guidelines" and the towns either follow the "guidelines" or lose the subsidy -- no one can afford that when their money is paying for the whole State.

Guidelines work effectively.

There are many mobile home owners here, and I beg them to alert all the other citizens, too, to write. This is going to ruin all homeowners, all tenants (as the tax will be passed on by the landlord) and all working people will be doubly taxed, too, both on their income and on their homes.

We have wage controls and price controls. What we really need in tax controls. Vote no on this legislation. Fight this legislation and you shall have my eternal gratitude.

DEDICATE THE TAX

One way to predict the future is to review the past. When certain new or additional taxes have been proposed or levied in New Jersey, we have been promised that they would relieve the real estate tax. This was true of the 3% sales tax, the increase to 5% sales tax, the cigarette tax and the lottery.

There is an old expression, "fool me once, shame on you - fool me twice, shame on me." We have been fooled four times in recent years and should refuse to be fooled again by demanding that the proposed income tax be DEDICATED to the school tax.

Legislators refuse to propose this constitutional amendment for the November ballot because present practices permit them to keep only half of the promise the first year and give even less money thereafter. Not one dollar of the lottery goes to public schools, though we were promised the money would go to education.

Proposing constitutional amendments is not a rarity. Several are being proposed for this November on a variety of subjects. Governor Cahill has also proposed a constitutional amendment involving real estate taxes. You can read about people in Trenton advocating an income tax, but they could tell us more about what percent of this new tax will go for school taxes. This half-information also permits them to change the percentage each year according to the whims of each new legislature unless any proposed tax legislation is made contingent upon passage of the proposed constitutional amendment to limit the total real estate tax. The newspapers write about a one-dollar limit. Another release mentions a ~~three~~-dollar limit. Which one is correct? The 1971 equalized tax is \$3.66 with \$2.12 for schools and \$1.54 for all others. The proposed plan talks about \$2.00 limit for county and local taxes. Why the increase from \$1.54 to \$2.00 for county and local taxes?

With the passage of the 3% sales tax, state aid per pupil in New Jersey went from \$92.00 in 1965-66 to \$170.00 in 1966-67, an increase of only \$78.00 since only part of the sales tax, \$208 million, went for school taxes. Collections went up next year to \$238 million, but state aid per pupil dropped to \$167.00, although the cost of educating a pupil rose from \$642.00 to \$701.00. For the two-year span, 1966-67 to 1968-69, \$265 million were collected in sales tax while pupil aid went up only 2.7%, although the cost per pupil went up by 20%. For 1969-70, aid per pupil went up to \$205.00 as money came in from the boost to 5% sales tax which brought in a total of \$355 million. Again only part of it went to the school tax. In fact, only half the additional taxes went to schools. For 1970-71, matters became worse, only one-third of the sales tax went to schools. Taxpayers in New Jersey are tired of having a carrot held in front of them and then being given only half the carrot while the rest goes elsewhere.

In 1970-71, per pupil aid stayed at \$207.00 while the total cost per student rose to \$930.00 and cost from current expenses rose to \$870.00, although sales tax income rose to \$521 million. The state of New Jersey contributes only half the educational money per student as do the neighboring states of New York and Pennsylvania. This is the reason for unusually high real estate tax in New Jersey. The sales tax was not dedicated. It should be.

When Governor Hughes suggested a bond issue several years ago, many people asked that it be defeated on the basis that the public wasn't being told where the money would be spent.

Today, legislators are asking for an income tax plus increases in other taxes but will only tell you where part of this money will go and they give the percentage for the first year only. Next year it could be a lower percentage. Past practice has indicated that this will happen again.

The present Bateman formula gives more money to cities where the average income in some cases is higher. When Ocean County asked that the Bateman formula give some credit for districts who have to build a new school every one or two years due to rapid growth, the New Jersey Senate agreed, but the Assembly vetoed this recognition.

Proponents for the income tax refuse to talk about a dedicated tax. They also make no suggestions about what will happen to the income tax if the national V.A.T. (Value Added Tax) is approved in 1973 or 1974. This national sales tax is intended for state school taxes. If President Nixon's V.A.T. is passed by Congress or Senator McGovern's tax reform is passed, will New Jersey legislators move to repeal or lower the income tax? Don't hold your breath.... Instead, the money from the New Jersey income tax can be moved to other areas -- unless we DEDICATE the tax.

The V.A.T. has a good chance of being approved. Several countries in Europe use it as a hidden tax which is returned to the manufacturer if the finished product is sold overseas. This helps countries like France in its competition with U.S. exports or U.S. domestic sales. The sales tax is on value added at each step such as ore to steel mill to automobile to dealer to customer.

An example of the danger of not dedicating the tax happened recently in Ohio. An income tax was passed about eight months ago. Three months ago, one city put up a referendum for a substantial increase in school tax.

By reading national media you can find out what is happening in other states.

1. California will vote in November on a constitutional amendment to impose rigid limits on property taxes.
2. Colorado legislature is considering a \$2.00 per \$100.00 evaluation limit on real estate taxes. (NOTE: In New Jersey for 1971, the equalized rate was \$3.66.)

3. New York presently gives twice as much money per pupil as New Jersey.

In addition, a two-year study in New York resulted in recommending a statewide property tax as well as increased help for property owners.

4. Between 1964 and 1970, six states (Wisconsin, Minnesota, California, Vermont, Iowa and Kansas) have voted for the "Circuit Breaker."

This puts a limit on real estate taxes for aged people on low incomes.

5. In Wisconsin, property taxes cannot be over 11% of household income.

There are alternate proposals:

1. The sales tax was originally promised to help real estate taxes by using the new tax for schools. Do as originally promised and state aid to schools would double.

2. Legislate equalized school taxes -- which is the extent required by the state supreme court. The state of Hawaii has been doing this for several years.

3. If a new tax is still needed, give serious consideration to an intangible personal property tax. This type of tax is honestly based on ability to pay and provides no loopholes as can be readily found in the federal income tax and the proposed New Jersey income tax.

a. The proposed income tax and decrease in real estate tax will be a windfall for individuals with large real estate holdings. In Toms River, land is evaluated at only 40% of the true value, although homes are evaluated at 100%. This loophole is not true of the intangible personal property tax.

b. A person with a million dollars of state bonds, municipal bonds, school bonds, etc. receives an income of \$50,000 per year but does not pay any federal income tax. He is even allowed to collect social security. Under personal property tax, he will pay New Jersey taxes.

c. Several states in the U.S. use this type of tax. Some countries in Europe have high personal property tax in lieu of high inheritance tax. This closes the loophole of forming foundations to avoid inheritance taxes.

4. Use equalized tax rate

FOR NEW JERSEY

①	②	③	④	⑤	⑥
Student Enrollment x 1000	State Aid Per Pupil	Increase Over Base Year '65-'66	\$ From Sales Tax To Schools ① x ③ x million	Total Sales Tax Income x million	% Sales Tax to Education [4+5]100
9/65 - 1,285	65/66 - 92				
9/66 - 1,331	66/67 - 170	78	104; '66-'67	'66-'67 208	50
9/67 - 1,375	67/68 - 167	75	103	238	43.5
9/68 - 1,416	68/69 - 175	83	117	264	44
9/69 - 1,454	69/70 - 205	113	165	355	46
9/70 - 1,482	70/71 - 207	115	170 '70-'71	521	32.6
				580E '71-'72	

QUESTIONS

1. Will the proposed one dollar real estate tax be for schools only or for all real estate?

(Municipal \$1.50; County \$0.50)?

1971-tot-Equal. - 3.66; Act. - 5.28	<u>Schools</u>
- 18% (3.66 vs. 3.00)	Eq. - 2.12
	Act.- 3.06

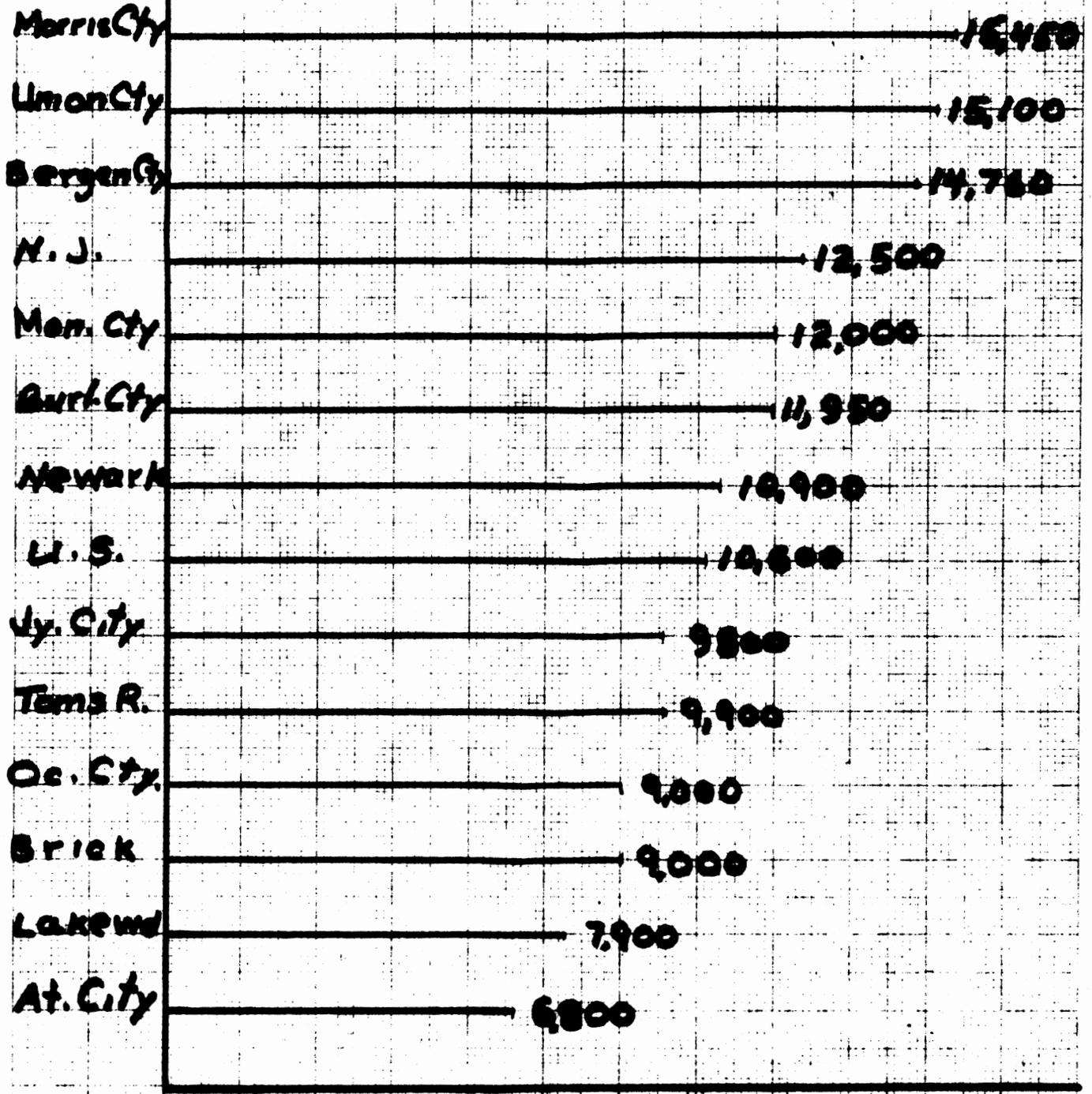
How do you reach the 40% reduction figure?

2. Will the income tax be based on total income regardless of source or will there be deductions and exemptions as in the Federal Income Tax?
3. If the state takes over all of the school costs, will the dollars returned be on a per pupil basis or according to the Bateman formula?
4. At present the tax for municipal plus county plus all other taxes, except for school, costs \$1.50 per \$100 evaluation. The proposed new bill asks for \$2.00 for county and municipal only exclusive of welfare which is now included. Why?
5. The proposed amendment to the constitution says that professional educators must go to the local public for extra money for schools. Fine. Does this amendment have the same controls on local politicians?
6. Compared to the state averages, Lakewood earns 36% less, but receives 12% less state aid, has a school tax which is 21% higher and a total tax which is 17% higher. Do you still expect to use the Bateman formula?
7. In Toms River, open land is evaluated at 40% of true value though homes are at 100%. Can you make the tax retroactive on open land, for example three years, based on selling price?

8. Use equalized tax rate

R. M. Melburn
Toms River

NET EFFECTIVE BUYING INCOME per FAMILY- 1970

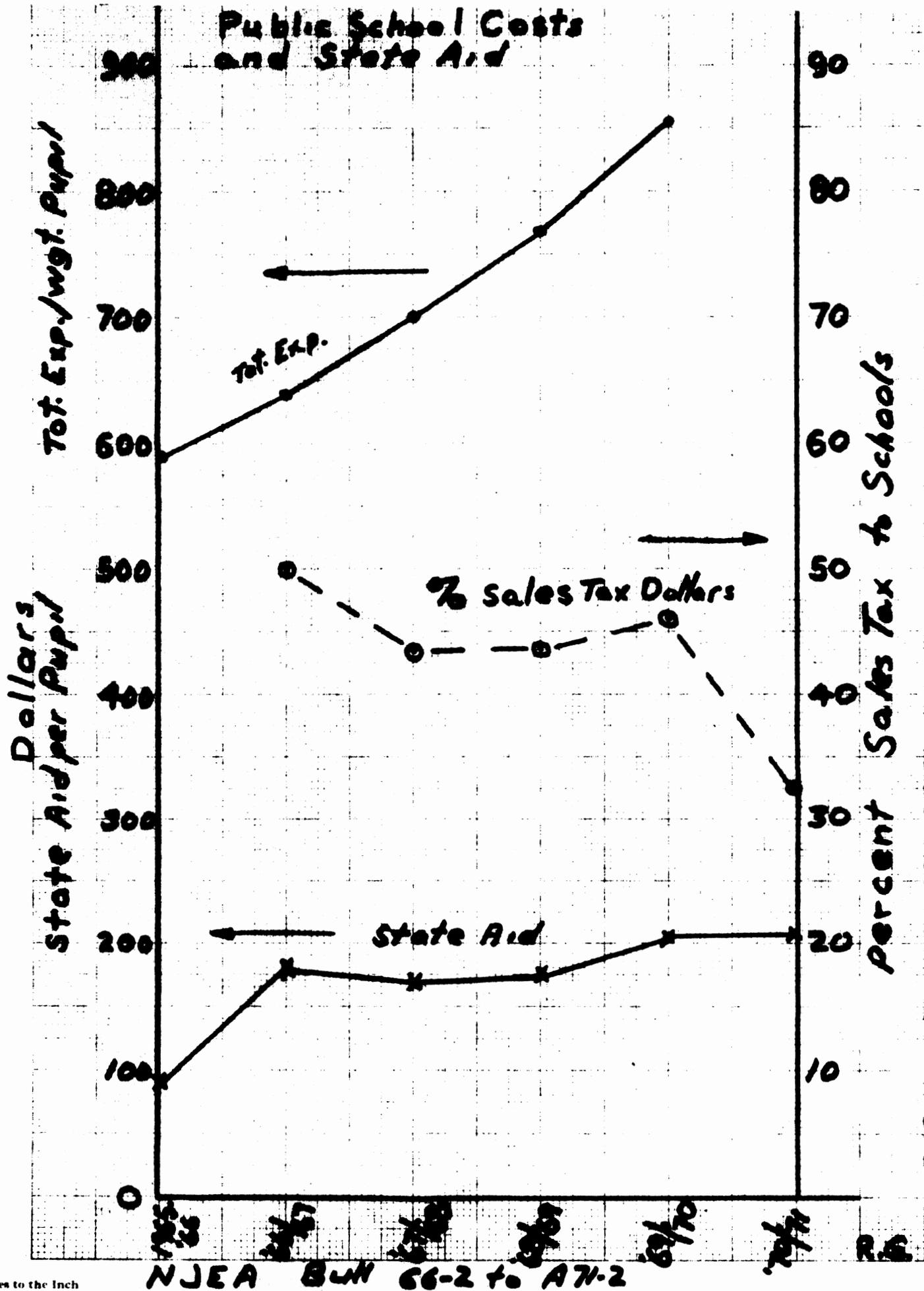


THOUSANDS OF DOLLARS

CIRC. A1-60-NJEA

R.S.

Public School Costs and State Aid



MR. T. MUNCASTER
29 PITMAN AVE.
OCEAN GROVE, N.J. 07756

Local communities have been increasing our property taxes an average of 10% a year. This is too much. Governor Cahill may have something when he suggests that turning powers of taxation over to the state may slow this growth. Surely the expertise at the state level can do a more capable job of holding down taxes. Just to be sure, one should check the record.

From the report of the New Jersey Tax Policy Committee, taxes collected by the state Division of Taxation in 1966 amounted to \$466.2 million and \$1.31 billion in the tax year of 1971. That is equivalent to an increase in taxes of 23% every year over the last 5 years. I've studied advanced mathematical analysis, but I am at a loss as to how Mr. Cahill intends to ease the burden of the property owner by transferring the power of taxation from a level of government which has been increasing taxes 10% annually to one which is raising taxes by 23% every year.

If this so-called tax "reform" is instituted, further powers of taxation will be entrusted to the state enabling these exorbitant tax increases to continue. If this happens, the state Division of Taxation will be collecting an amount equal to the present total income of the people of New Jersey in just 14 years! What will we have left to pay the remaining local property tax, the sales tax, and our federal income tax? Not to mention food, clothing, and other necessities of life.

The revenue gaps projected by the Tax Policy Committee are essentially the result of the inability of the present tax structure to generate enough revenue to enable state and local governments to continue increasing expenditures at the present excessive rate. This package is simply a means of eliminating projected fiscal gaps by

automatically increasing total taxes at a faster rate. The proposals would increase our total tax bill by nearly \$2 billion over what our present structure would tax us in 1980. People for Tax Reform, Inc. freely admit we would have paid over \$63 million more in taxes last year had this program been implimented. In this case, tax reform is mainly a way to raise more money.

It has been said that property taxes will go down and stay down due to a Constitutional limit on the rate. I submit to you that this is only half true. Under this program, within two years of enactment by the legislature and the governor, the district assessor would have the power to assess all property at its full market value. This will mean increased assessments for many. When tax rates drop, the value of the property can be expected to go up. This will mean increased assessments for many. Inflation will continue to raise property values. This will mean increased assessments for many. If property tax rates can indeed be frozen, which is certainly questionable, the property tax bill will continue to rise anyway from ever increasing property valuations.

A major selling point of this so-called "reform" has been the recent court decisions proclaiming that public education can't be left to local wealth or poverty. However, the quality of public education in the proposed reform will still depend on wealth as the wealthier municipalities will be able to spend more than the standard under a local leeway option. If, after hearing the Rodriquez case from Texas this fall, the United States Supreme Court outlaws school discrimination based on wealth, it is quite possible that this proposed system of school finance will be unconstitutional.

If fiscal discrepancies between communities are to be eliminated in education, why should they be permitted to continue in other public services such as police, garbage disposal, fire departments,

sewage treatment, etc?

It is maintained that even though the state will assume finance of public schools, local school boards will continue to sustain control and jurisdiction. However, when alluding to probation services the committee's report made reference to the control (and I quote) "which goes with financial support". (end quote) This is a contradiction in that control and support are closely related in one instance and supposedly unrelated in the other to suit the fancy of the Tax Policy Committee. There is little safeguard in terms of local autonomy of school boards.

The proposed \$100 million Municipal Aid Program or Block Grant Program would provide five cities (Newark, Jersey City, Camden, Trenton, and Patterson) with over \$58 million or nearly 60% of the aid. The cities will also get considerable aid and much reduced taxes as prime beneficiaries of these proposals:

1. State finance of schools.
2. Shifting of welfare costs to the state.
3. Proposals relating to tax exempt property.
4. Site value taxation.
5. The bond bank which would substantially lower the cities' cost of borrowing.

The whole of Monmouth County would receive only \$2.9 million, or less than 3% of the Block Grant Aid, and all of Ocean County would get \$855,000, or less than 1% of the aid. It appears we are being asked to support the incompetent management of five cities and subsidize their past mistakes while we are being thrown crumbs. How does one rationalize this?

With the primaries demonstrating the potency of the tax "reform" as a political issue, and with congressional Democrats pressuring the White House with specific proposals, massive federal ta

reform is imminent in 1973 regardless of the outcome of the November election. Not knowing the ramifications of extensive federal tax revision it is asinine for New Jersey to rush through such sweeping tax legislation when much of it is threatened to be pre-empted in less than a year.

Most people will agree that reform should start by increasing the efficiency and reducing the costs of governmental services. Proposals recommended by the Tax Policy Committee would increase the state's tax base in the neighborhood of \$100 billion. That is \$100 billion in assetts heretofore untaxable by the state. With this massive additional sum of money available for taxation it is unrealistic to expect any efficiency or reduction in government expenditures. Legislation increasing the state's tax base by such an exorbitant amount is tantamount to providing the governor with a license to steal.

How much longer will the apathetic citizens of New Jersey tolerate this hoax of so-called tax "reform"? This program will be pushed through and we will pay the price in years to come unless the taxpayers of this state raise their voices enough to be heard by our elected representatives.

10 Sailer's Way
Rumson, New Jersey
May 24, 1972

The Honorable William Cahill
Governor of New Jersey
State House
Trenton, New Jersey

Dear Governor Cahill:

Although you have already become committed to a graduated state income tax, we want to register our unequivocal opposition and urge you to seek economies and elimination of waste and to find other sources of revenue, including legalized gambling.

Taxation on the basis of "ability to pay" has a kind of traditional appeal to reasonable and fair-minded people; we acknowledge that those who are able should within reason carry a disproportionate load. The fact is that this is already happening abundantly, mainly through the federal income tax but also in many other smaller ways.

You talk about a state income tax being the key to a "balanced and equitable tax system" as though the Federal Income Tax did not exist. It does, and additional taxation on the basis of accelerated rates with increasing income would be a punishing reward and negative incentive for individual effort and accomplishment. It would be grossly unfair and tyrannously oppressive.

We are not naive. A graduated state income tax is not synonymous with tax reform nor even necessarily a legitimate component of tax reform. Instead, it is a cruel and deceptive device to delude a lot of people into supporting a permanent raid on their pocketbooks in the futile hope that they will get relief from some other source and that maybe others will pay more.

The money is not needed now following the recent passage of new tax measures. Passing an "elastic" blank check revenue bill like this would be a veritable license (some politicians would claim "mandate") for politicians in the next few years to seek out new governmental programs and bottomless pits to fill.

Taxes on legalized gambling are a reasonable and viable means of raising state revenue that can fill the gap which you are looking forward to in 1975 or 1980. It would have the additional merit of draining off some of the revenues of organized crime. Apparently you could have had this revenue alternative, but for some reason you opposed it, according to newspaper accounts.

We emphatically object to a state income tax and we urge that you find other means of solving the state's dilemma, including vigorously supporting the President's tax sharing proposal before the Congress and his added value taxes to relieve the property tax situation on a national basis. Failing that, you still have access to revenue from legalized gambling and other sources.

To us this is a very fundamental issue. We have been Republican for a good many years. However, we could not vote for any candidate who supports or condones the imposition of a graduated state income tax.

Sincerely,

J. R. Stockton
Norma B. Stockton

John Richard Stockton
Norma Boyd Stockton

Unne 7, 1972

FROM: The League of Women Voters of Ocean County

Gertrude La Flaca

Gertrude La Flaca, Tax Chairman
59 A Buckingham Drive
Lakewood, N. J.

League of Women Voters of Ocean County

In the crossfire of comment and criticism that has greeted the proposed Tax Reform, many New Jerseyans seem to have lost sight of the reasons for tax reform and what goals it is supposed to accomplish. Let's review the reasons before we make a final judgment.

New Jersey's present tax structure is an unplanned hodgepodge of measures which have built up over the course of the years. Most were passed by legislators in response to immediate pressing needs to present a balanced state budget -- or were not passed, to avoid the politically unpopular need to vote for state taxes. Whenever the Legislature failed to pass a tax measure while mandating a service, the cost wound up being borne by the local property taxpayer. Whenever local school or municipal costs rose, while state aid payments remained static, the property tax bore the increased cost. In effect, an unrestricted property tax made it possible to shift most of the payment for an extremely wide variety of services from state levies to local property taxes.

The result of this action and inaction has been an overdependence on the property tax in New Jersey with the consequence that local property taxes, on the average, have quadrupled in the past twenty years. Additionally, because of the types of state taxes favored by the Legislature, the total burden of state and local taxation in New Jersey has come to fall more and more heavily on families in the lower income brackets. Overall, the state has been locked into a tax structure which economists describe as "inelastic"; the yield of tax revenues does not increase as fast as the economy grows, and fails to keep pace with rising costs. This means that each year the Legislature must increase the rates of some existing taxes, or pass a new tax, unless it is willing to cut down on state services and aid to local municipalities.

The overdependence on the property tax has led to fiscal zoning and poor land use in our suburban and rural areas, the flight of industry and people and the destruction of the tax base in our cities, and to a situation where the tax structure actually hinders the meeting of the needs of New Jersey citizens for diverse housing, transportation and job opportunities. Moreover, raising 40 per cent of our revenues from a source that taxes low incomes more steeply than high incomes presents an obvious drawback: unless you tax the people who have the most money, the amount of revenue you can expect to collect is quite limited. In the colloquial phrase -- you can't get blood from a turnip.

It was these undesirable and destructive features of our present ^{system} / that led to the recommended changes.

With a comprehensive tax structure based on a state income tax and a statewide property tax there would be no increase in the total amount of tax revenues. The goal is a system in which the existing tax burden will fall more fairly on all citizens, and which will be so designed that tax yields will grow rapidly enough to keep up with increasing costs. In judging the proposal, each responsible citizen should ask himself: Is the present tax structure adequate and fair? Does it encourage the meeting of our needs? If he answers no, as the Tax Policy Committee did and Gov. Cahill did, then he must ask these further questions: Do the changes recommended meet these criteria? Do they increase the fairness of distribution of the tax burden? Do they create a system which will be elastic enough so that we are not faced with a growing and confiscatory property tax, or the need to up the rates or add new state taxes each year? Will the system encourage rather than hinder attempts to meet the needs of our citizens?

(more)

League of Women Voters of Ocean County

-3-

It's only human nature, when we look at the tax reform proposals, to wonder first of all how they will affect our own pocketbooks. But to stop there in our consideration is not the act of a responsible citizen. Obviously, if one of the purposes of tax reform is to spread the burden of taxation more fairly, there will have to be people who will pay more taxes under the new system as well as people who will pay less. If each of us judges the proposals only as they affect us personally, instead of seeking to determine whether they establish an equitable tax structure, we are in trouble before we begin.

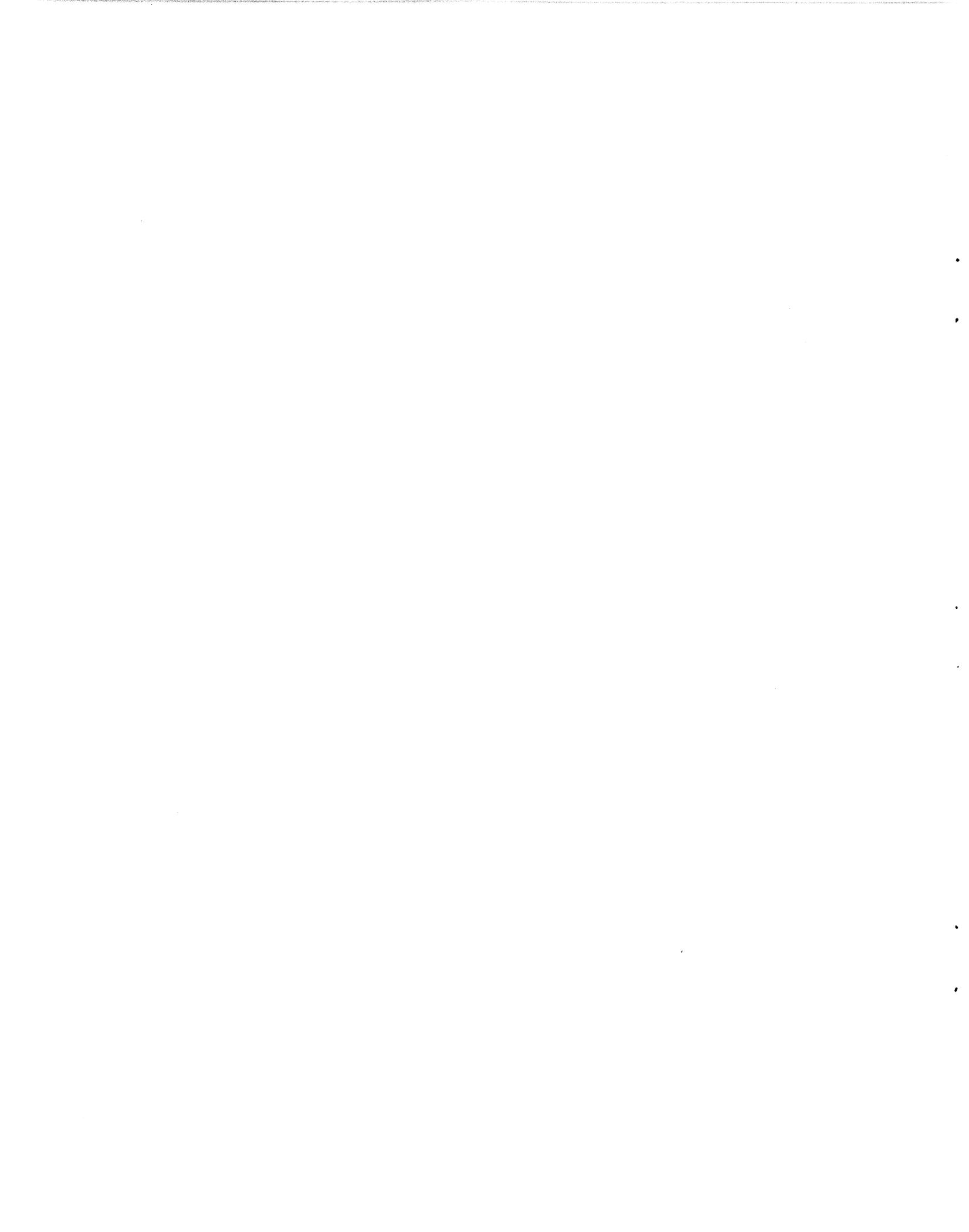
We should consider the tax reform from the standpoint of the overall effect on the citizens of New Jersey. It is hoped that responsible citizens will weigh not only the effects of the proposals on their situations, but also the effects on our state as a whole, before they reach a judgment on the merits of Tax Reform.

Hopefully a new day will dawn for New Jersey taxpayers.

-30-

Mr. A. Gerner
702 Baltimore Blvd.
Sea Girt, N. J.

I had hoped to talk, but I must go to work. The only people who will benefit from this property tax and income tax will be the cities, and I am sick and tired of pouring good money after bad. Anyone who believes the property tax rate will stay at \$1.00 per \$100.00 of assessment and the income tax will not rise is a dreamer. The sales tax has risen, hasn't it? Let's stop taxing us to death.



APR 3 1985



