

REMARKS OF

THE HONORABLE THOMAS H. KEAN

GOVERNOR OF NEW JERSEY

INTRODUCING

THE HONORABLE RONALD REAGAN, PRESIDENT OF THE UNITED STATES

BLOOMFIELD, NEW JERSEY

THURSDAY, JUNE 13, 1985

THANK YOU, MAYOR KINDNER.

You

PRESIDENT REAGAN HAS OFTEN SPOKEN OF A SECOND AMERICAN

REVOLUTION -- OF UNLEASHING THE SPIRIT OF GROWTH, OF

OPTIMISM, AND OF OPPORTUNITY THAT MADE AMERICA WHAT IT IS.

N.J.

WELL, MR. PRESIDENT, WELCOME TO THE CRADLE OF THAT

REVOLUTION.

JUST AS TWO HUNDRED YEARS AGO, DURING THE FIRST

AMERICAN REVOLUTION, NEW JERSEY PLAYED A DECISIVE ROLE --

AS THE SITE OF KEY BATTLES AND AS GEORGE WASHINGTON'S *Head*

quarters for the Continental Army

QUARTERS ~~FOR TWO WINTERS~~ -- WE ARE POISED TODAY TO LEAD THIS

your

COUNTRY INTO A NEW ERA.

WE'VE STARTED THE SECOND AMERICAN REVOLUTION HERE IN NEW JERSEY -- ONE BASED ON NEW JOBS, NEW TECHNOLOGIES, A NEW COMMITMENT TO PROTECTING OUR ENVIRONMENT AND IMPROVING OUR SCHOOLS, AND, MOST IMPORTANTLY OF ALL, A NEW PRIDE.

A DECADE AGO, NEW JERSEY WAS LOSING JOBS. LOSING PEOPLE. LOSING CONFIDENCE.

WITH YOUR HELP, WE'VE TURNED THAT AROUND.

SINCE JANUARY OF 1982, WE'VE CREATED 350,000 NEW JOBS -- AND CUT OUR UNEMPLOYMENT RATE IN HALF, FROM 9.3% TO 4.7%, IN THE PROCESS.

NEW JERSEY IS NOW GAINING IN POPULATION. ATTRACTING NEW BUSINESSES LIKE NEVER BEFORE. AND ATTRACTING THE ATTENTION OF OTHER STATES.

HOW HAVE WE DONE IT? WE'VE ELIMINATED THE CORPORATE NET WORTH TAX. SLASHED THE INHERITANCE TAX. PAID BACK OUR ^{over 600,000} UNEMPLOYMENT INSURANCE DEBT. ESTABLISHED URBAN ENTERPRISE ZONES. CUT OVER \$100 MILLION ~~A YEAR~~ IN WASTEFUL GOVERNMENT SPENDING -- BUT AT THE SAME TIME, INVESTED HEAVILY IN OUR SCHOOLS, OUR COLLEGES AND UNIVERSITIES, AND IN A CLEAN ENVIRONMENT.

WE LOOKED TOWARD THE FUTURE. AND WE LOOKED TO IT WITH PRIDE.

NEW JERSEY IS PROUD TO BE A NATIONAL LEADER, MR.

PRESIDENT, AND WE'RE VERY PROUD THAT YOU'VE CHOSEN TO BRING YOUR MESSAGE HERE.

WE'VE TAPPED THE DIVERSE AND ENERGETIC SPIRIT OF OUR PEOPLE IN BUILDING PRIDE IN NEW JERSEY.

AND FRANKLY, I THINK THAT'S WHAT YOUR TAX REFORM PROPOSAL WILL DO FOR THIS COUNTRY.

TAP THE ENERGY THAT HAS FUELED OUR GROWTH. UNLEASH THE SPIRIT THAT WILL CARRY US INTO THE FUTURE STRONGER AND PROUDER.

THE AMERICAN PEOPLE HAVE BEEN BEGGING FOR A SIMPLER, FAIRER TAX SYSTEM FOR YEARS. FOR ONCE, MR. PRESIDENT, SOMEONE IN WASHINGTON IS LISTENING.

YOU KNOW, I'M AN HISTORIAN. YESTERDAY, JUNE 12TH, WAS THE ANNIVERSARY OF THE DAY THAT THE VIRGINIA DECLARATION OF RIGHTS WAS ADOPTED BY THE VIRGINIA CONVENTION IN 1776. AND THE CONTINENTAL CONGRESS, MEETING UP THE ROAD IN PHILADELPHIA, MUST HAVE BEEN LISTENING.

ARTICLE TWO OF THAT DECLARATION SAID "THAT ALL POWER IS
DERIVED FROM THE PEOPLE."

You have
PRESIDENT ~~RONALD~~ REAGAN ~~HAS~~ SHOWN A UNIQUE RECOGNITION
OF THAT PRINCIPLE WHICH GUIDED THE FIRST AMERICAN REVOLUTION.

AND I THINK HE'S USING IT TO GUIDE HIS EFFORT TO SPAWN
A SECOND ONE.

LADIES AND GENTLEMEN, IT IS MY HONOR AND PLEASURE TO
INTRODUCE TO YOU THE PRESIDENT OF THE UNITED STATES: THE
HONORABLE RONALD REAGAN.

New Jersey

Joint Return of a One-Earner Family of Four
Earning the Median Income and Itemizing Deductions 1/

	<u>Current Law</u>	<u>President's Proposal</u>
Wages and Salary <u>2/</u>	\$41,960	\$41,960
Taxable Health Insurance Benefits	0	300
Contribution to IRA <u>3/</u>	<u>-2,150</u>	<u>-2,150</u>
Adjusted Gross Income (AGI)	39,810	40,110
State-Local Tax Deductions <u>4/</u>	-3,060	-0
Other Itemized Deductions <u>4/</u>	-4,720	-4,720
Less Zero Bracket Amount <u>5/</u>	<u>3,670</u>	<u>4,000</u>
Allowable Itemized Deductions	-4,110	-720
Personal Exemptions	<u>-4,320</u>	<u>-8,000</u>
Taxable Income	31,380	31,390
Tax Liability	4,948	4,348
Percentage Change in Tax <u>6/</u>		-12.1%
Marginal Tax Rate	25%	25%
Office of the Secretary of the Treasury		June 7, 1985
Office of Tax Analysis		

- 1/ Adjusted national median income of \$33,600 for a family of 4 projected for 1986, based on the relationship between New Jersey and U.S. total median income for a family of 4 from 1983 Census data.
- 2/ Assumes family has only one wage earner and earns only taxable income.
- 3/ Approximately 27 percent of families with AGI between \$30,000 and \$40,000 nationally made IRA contributions in 1982. Although \$2,250 is the current maximum allowable IRA contribution, \$2,150 is an estimate of the average IRA contribution actually made by this hypothetical family.
- 4/ Based on 1982 average itemized deductions for joint returns by adjusted gross income class in New Jersey.
- 5/ The tax rate schedules include an allowance for the zero bracket amount.
- 6/ If families made no IRA contribution, or if they increased IRA contributions because of the higher non-working spousal limit, then the percentage tax reduction would be greater.

Note: Assumes 1986 tax rates and brackets and that the President's proposal is fully phased in.

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New Jersey

Joint Return of a One-Earner Family of Four with Median Income and Itemized Deductions

A one-earner couple with two dependents earns \$41,960 (the estimated median income for a family of four living in New Jersey in 1986) all of which is currently subject to Federal income tax. The family also receives health insurance benefits, \$300 of which would be taxable under the President's proposal, but not under current law. The family makes Individual Retirement Account (IRA) contributions of \$2,150, reducing its adjusted gross income to \$39,810. The family has the estimated average amount of itemized deductions for a joint return from New Jersey with that amount of adjusted gross income (\$3,060 of state and local tax deductions and \$4,720 other itemized deductions.)

Tax Reduction: Tax liability for this family under the President's proposal would be \$600 less than under current law, or 12.1 percent lower. (See the attached table.) Its marginal tax rate would be 25 percent under the President's proposal as well as under current law.

Analysis: Under current law for 1986 (including indexing for inflation), the family would have \$4,110 of allowable itemized deductions in excess of the zero bracket amount (\$3,670) and \$4,320 of personal exemptions. Their taxable income would be \$31,380 and tax liability would be \$4,948.

Under the President's proposal, state and local taxes could not be deducted; thus the family would have \$4,720 of total itemized deductions. It would also be subject to tax on the first \$300 of health insurance benefits. The IRA contribution is assumed to remain the same, though it could rise to as much as \$4,000 under the President's proposal. Personal exemptions would increase to \$8,000. The family's taxable income would be \$31,390 and its tax liability would be \$4,348.

Addendum: Non-itemizing Median Income Families. Sixty-five percent of returns in New Jersey in 1982 did not itemize deductions. A family not itemizing deductions under current law would find their taxes lowered by a larger percentage by the President's proposal. Tax liability under current law for a hypothetical family identical in all other respects to that described above would be \$6,072. Under the President's proposal tax liability would fall to \$4,528, a decrease of \$1,545 or 25.4%.

Variations in IRA Contributions. Seventy-three percent of families with adjusted gross income between \$30,000 and \$40,000 made no contributions to IRAs in 1982. An identical itemizing family with no IRA contributions under either current law or the President's proposal would receive a tax reduction of \$638, or 11.6 percent of current law liability of \$5,523. If the family increased its IRA contribution from \$2,150 to \$3,150 due to higher limits allowed under the President's proposal, tax liability would fall by \$850 or 17.2 percent. A further reduction would be possible if the family increased its contribution to the maximum allowable of \$4,000.

COMPARISON OF STATE AND LOCAL TAXES

<u>Income Tax (top rate)</u>	<u>1983 Avg. Property Tax Rate (% of Valuation)</u>	<u>1982 Total State and Local Taxes on a Family Income of \$25,000</u>
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NEW YORK

10% over \$15,000 of earned income and
 14% over \$23,000 of unearned income and
 Local income taxes, e.g.
 NYC: 4.3% over \$25,000

State = 4%
 plus local up to 4.25%

2.66%

NYC: \$2153, 34% higher than Newark
 58% higher than LA

NEW JERSEY

3.5% over \$50,000

State = 6%

2.54%

Newark: \$1605

CALIFORNIA

11% over \$26,600 *

State = 4.75%
 plus local up to 1.75%

1.05%

LA: \$1363

* Rates are more gradual than New York; rate at \$15,000 is 6% compared to New York's 10%.
 10% rate not reached until \$24,181 in California.

Source: Significant Features of Fiscal Federalism 1984 Edition by the Advisory Commission on Intergovernmental Relations, Washington, D.C., March 1985

