

REMARKS OF

GOVERNOR THOMAS H. KEAN

AT THE

PRESS CONFERENCE

ANNOUNCING SIGNATURE OF A. 2982

A BILL TO PROVIDE TAX RELIEF TO NEW JERSEY CITIZENS

STATE HOUSE

TRENTON, NEW JERSEY

AUGUST 26, 1985

FOR TWO YEARS NOW, I HAVE BEEN SAYING THAT THE PEOPLE OF NEW JERSEY DESERVE SOME TAX RELIEF.

DURING THOSE TWO YEARS, NEW JERSEY'S ECONOMY HAS BEEN STRONGER THAN IT HAS BEEN IN FOUR DECADES. AS YOU KNOW, THAT ECONOMIC RENAISSANCE HAS BOOSTED THE STATE'S REVENUES.

I HAVE MAINTAINED ALL ALONG THAT NEW JERSEY TAXPAYERS DESERVE TO HAVE SOME OF THAT MONEY RETURNED TO THEM.

THEY PROVIDED THE REVENUES NEEDED IN HARD TIMES. NOW, THEY DESERVE TO SHARE IN THE GOOD TIMES.

TO BACK UP MY BELIEF, I HAVE PROPOSED SEVERAL DIFFERENT TAX RELIEF PLANS TO THE LEGISLATURE DURING THOSE TWO YEARS.

LAST YEAR, I PROPOSED A 30% INCREASE IN THE HOMESTEAD REBATE AND TENANT CREDIT PROGRAMS -- WITH AN ADDED INCREASE FOR SENIOR CITIZENS AND DISABLED PERSONS. I OFFERED TO INCREASE THAT REBATE FURTHER IN MY BUDGET MESSAGE. THE LEGISLATURE FAILED TO ACT ON EITHER PROPOSAL.

EARLIER THIS YEAR, I ALSO PROPOSED A ONE TIME CUT OF TEN PERCENT IN THE INCOME TAX. AND I PROPOSED THAT WE CAP THAT TAX CUT AT \$75 PER HOUSEHOLD SO THAT WE WOULD HAVE MORE MONEY AVAILABLE FOR LOWER INCOME TAXPAYERS. AGAIN, THE LEGISLATURE FAILED TO ACT.

WHEN THE LEGISLATURE PASSED THE BILL THAT HAS BEEN IN FRONT OF ME, THE DIRECTOR OF TAXATION APPROACHED LEGISLATIVE LEADERS WITH A BETTER AND A FAIRER PLAN. WE PROPOSED TO PROVIDE AN INCOME TAX CREDIT EQUAL TO A 40% INCREASE IN THE HOMESTEAD REBATE OR TENANT CREDIT. THAT COMPROMISE PLAN, TOO, WAS REJECTED.

INSTEAD, THEY HAVE PRESENTED ME WITH A MEASURE THAT IS, EXPENSIVE, REGRESSIVE, AND CUMBERSOME.

BUT THEY HAVE REFUSED TO COMPROMISE. IN FACT, THE MAJORITY LEADER OF THE ASSEMBLY HAS STATED FLATLY THAT NO OTHER TAX RELIEF PLAN WOULD BE PASSED.

SO I HAVE BEEN PRESENTED WITH THE CHOICE BETWEEN THIS TAX BILL OR NO TAX CUT AT ALL.

I HAVE SAID AGAIN AND AGAIN THAT OUR TAXPAYERS DESERVE A PIECE OF THE ACTION. WE HAVE ASKED FOR THEIR HELP IN HARD TIMES; NOW THEY SHOULD SHARE IN OUR PROSPERITY.

SO I HAVE CALLED YOU HERE TODAY TO ANNOUNCE THAT LAST NIGHT, I SIGNED ASSEMBLY BILL 2982.

THE BILL WOULD ALLOW HOMEOWNERS TO DEDUCT THE AMOUNT THEY'VE PAID IN PROPERTY TAXES FROM THE INCOME ON WHICH THEY MUST PAY STATE INCOME TAX. AND IT ALLOWS RENTERS TO TAKE A SMALLER DEDUCTION BASED ON A PORTION OF THEIR RENT. THE BILL IS DESIGNED TO ENSURE THAT HOMEOWNERS GET A MINIMUM TAX CUT OF \$65, WHILE RENTERS GET A MINIMUM TAX CUT OF \$35.

UNFORTUNATELY, IN MOST CASES -- ESPECIALLY AMONG LOW AND MIDDLE INCOME FAMILIES -- THE MINIMUM IS ALL THEY WILL GET. THE LARGER BENEFITS ARE GENERALLY RESERVED FOR HIGHER INCOME FAMILIES WITH MORE EXPENSIVE HOMES.

LET ME GIVE YOU SOME EXAMPLES. UNDER THIS BILL, THE AVERAGE PROPERTY OWNER HERE IN TRENTON WILL GET A \$65 TAX CUT. IN PRINCETON, THE AVERAGE PROPERTY OWNER GETS A \$122 TAX CUT.

UNDER THE INCOME TAX CREDIT PLAN BASED ON A 40% INCREASE IN THE HOMESTEAD REBATE THAT I OFFERED AS A COMPROMISE, THE SITUATION IS REVERSED. THAT AVERAGE HOMEOWNER IN TRENTON WOULD GET A TAX CUT OF \$87 -- AND \$107 IF THEY WERE A SENIOR OR DISABLED CITIZEN. AND THE AVERAGE HOMEOWNER IN PRINCETON WOULD GET \$71.

UNDER THIS BILL, THE AVERAGE HOMEOWNER IN NEWARK GETS A \$65 TAX CUT. IN SHORT HILLS, THEY GET \$144.

UNDER MY COMPROMISE, THAT NEWARK HOMEOWNER WOULD HAVE GOTTEN \$87 -- OR \$107 IF THEY WERE A SENIOR CITIZEN. AND THE MILLBURN AVERAGE HOMEOWNER WOULD HAVE GOTTEN \$72 (\$92 IF THEY WERE A SENIOR CITIZEN).

IN THE SOUTH, THE SITUATION IS THE SAME: UNDER THIS BILL, THE AVERAGE HOMEOWNER IN CAMDEN WOULD AGAIN GET THE \$65 MINIMUM TAX CUT. OUT IN HADDONFIELD, THEY'D GET \$89.

UNDER MY COMPROMISE, THAT AVERAGE CAMDEN HOMEOWNER WOULD HAVE GOTTEN \$93 -- OR \$113 IF THEY WERE A SENIOR CITIZEN. IN HADDONFIELD, THEY'D GET \$75.

EVEN IN THE SPONSOR'S OWN DISTRICT, WHICH IS COMPOSED LARGELY OF MIDDLE INCOME PEOPLE, TAXPAYERS ARE SHORTCHANGED. IT IS ONLY IN ONE TOWN -- MANTOLOKING -- WHERE THE AVERAGE HOMEOWNER RECEIVES MORE THAN THE MINIMUM.

IN GENERAL, IT IS ONLY THOSE TAXPAYERS WITH INCOMES OVER \$50,000 WHO RECEIVE MORE THAN THE MINIMUM BENEFIT UNDER THIS BILL. WHILE I CERTAINLY SUPPORT A \$65 TAX CUT FOR MOST HOMEOWNERS, I THINK THESE NUMBERS SHOW THAT THIS BILL IS REGRESSIVE -- AND IF WE HAD MADE IT LESS REGRESSIVE, WE WOULD HAVE MORE MONEY AVAILABLE FOR TAX RELIEF FOR LOW AND MIDDLE INCOME FAMILIES.

MY PROPOSAL BUILT ON THE EXISTING PROGRESSIVITY IN THE HOMESTEAD REBATE FORMULA.

UNFORTUNATELY, REGRESSIVITY IS NOT THE ONLY FLAW IN THIS PROGRAM.

THE BILL IS GOING TO BE CUMBERSOME TO ADMINISTER. BECAUSE IT CREATES THE UNWIELDY CATEGORY OF "NEGATIVE INCOME," OUR DIVISION ON TAXATION INDICATES THAT IT WILL COST ABOUT \$2 MILLION TO ADMINISTER THIS BILL -- THAT'S FOUR TIMES AS MUCH WASTED ON ADMINISTRATIVE COSTS AS MY PROPOSAL TO INCREASE THE HOMESTEAD REBATE.

AND PERHAPS MOST IMPORTANTLY, THIS BILL IGNORES SOME SERIOUS LONG-TERM TRENDS.

I HAVE SAID REPEATEDLY THAT I AM CONCERNED ABOUT THE STATE'S ABILITY TO AFFORD THIS PROPOSAL OVER THE LONGER TERM. THE DIVISION ON TAXATION ESTIMATES THAT THIS BILL WILL COST ABOUT \$180 MILLION ANNUALLY.

I FULLY SUPPORT A TAX CUT THIS YEAR. WE CAN AFFORD IT. I HAVE SET ASIDE \$140 MILLION IN THE BUDGET JUST FOR THAT PURPOSE.

AND I AM WILLING TO MAKE THAT EXTRA \$40 MILLION AVAILABLE FOR TAX RELIEF -- ALTHOUGH THIS FURTHER CUTS INTO THE SURPLUS AND LEAVES IT AT A LEVEL BARELY SUFFICIENT TO GUARD AGAINST POSSIBLE CHANGES IN THE ECONOMY.

BUT BY MAKING THE TAX CUT PERMANENT, WE ARE TEMPTING FATE -- BECAUSE THE TRENDS INDICATE THAT MANDATED EXPENDITURES ARE GROWING FASTER THAN REVENUES. AND THOSE LINES COULD CROSS IN THE NEAR FUTURE.

I QUESTION WHETHER FUTURE GOVERNORS AND LEGISLATURES WILL BE ABLE TO FUND THIS PROGRAM IN FUTURE YEARS.

I SIGNED A LAW CREATING A SPECIAL BI-PARTISAN COMMISSION TO DEAL WITH THIS PROBLEM -- THE STATE AND LOCAL EXPENDITURE AND REVENUE POLICY COMMISSION. (THE SO-CALLED FELDMAN COMMISSION.)

NOW, AS THE COMMISSION IS JUST BEGINNING ITS VITAL WORK, WE ARE MAKING A DECISION FOR IT. WE ARE ENACTING A BILL THAT ADDRESSES PRECISELY THE ISSUES THE COMMISSION IS CHARGED WITH EXAMINING.

SO THIS IS NOT THE BEST APPROACH.

THEREFORE, I AM GOING TO ASK THE LEGISLATURE TO TAKE ANOTHER LOOK AT IT.

I STILL BELIEVE THAT THIS BILL CAN BE MADE LESS REGRESSIVE, MORE EQUITABLE, LESS EXPENSIVE TO ADMINISTER, AND MORE RESPONSIVE TO CHANGING ECONOMIC TIMES.

I WILL ASK THE LEGISLATURE TO TAKE THIS ADDITIONAL LOOK AT THE BILL AFTER THE ELECTION -- SO POLITICS WILL NO LONGER PLAY A PART IN THEIR DELIBERATIONS.

THIS BILL SHOULD BE AMENDED -- AND I STAND READY TO WORK WITH THE LEGISLATURE AFTER THE ELECTION IN MINIMIZING ITS FLAWS.

I AM SIGNING IT NOW BECAUSE I AM CONVINCED THAT IF I DO NOT, THERE WILL BE NO TAX CUT WHATSOEVER FROM THIS LEGISLATURE THIS YEAR.

I SUPPORT TAX RELIEF. AND I AM NOT GOING TO JEOPARDIZE THE ONLY CHANCE THAT NEW JERSEY TAXPAYERS HAVE FOR A TAX CUT BY SENDING THIS BILL BACK TO THE LEGISLATURE IN THE HEIGHT OF THE POLITICAL SEASON.

THE PEOPLE OF NEW JERSEY DESERVE TAX RELIEF. BY THIS ACTION, I'M GOING TO MAKE SURE THAT THEY GET IT.

IN FACT, WE HAVE WORKED CONSISTENTLY IN THIS ADMINISTRATION TO PROVIDE AS MUCH TAX RELIEF AS WE CAN AFFORD. AND I FIRMLY BELIEVE THAT THAT TAX RELIEF HAS HELPED CREATE A CLIMATE WHICH HAS ATTRACTED JOBS TO NEW JERSEY -- A CLIMATE SUITABLE FOR ECONOMIC GROWTH.

LET'S LOOK AT THE RECORD.

IN THIS YEAR'S BUDGET, WHICH I SIGNED IN JUNE, WE PROVIDED A \$400 MILLION INCREASE IN STATE AID PROGRAMS DESIGNED SPECIFICALLY TO HOLD DOWN PROPERTY TAXES. THAT'S INCREASED MONEY FOR THE SCHOOLS, FOR LOCAL POLICEMEN, AND FOR A RANGE OF OTHER PROGRAMS THAT WOULD OTHERWISE HAVE HAD TO BE PAID FOR BY THE PROPERTY TAX PAYERS.

AND THAT \$400 MILLION INCREASE COMES ON TOP OF MAJOR INCREASES IN EACH OF THE THREE PRECEDING YEARS. THE FOUR YEAR CUMULATIVE INCREASE IN PROGRAMS TO CUT PROPERTY TAXES IS OVER \$2.7 BILLION.

IN MY FIRST YEAR IN OFFICE, I SIGNED A BILL ELIMINATING THE CORPORATE NET WORTH TAX. THAT BILL WILL PROVIDE \$160 MILLION IN TAX RELIEF PER YEAR.

LAST YEAR, I SIGNED A BILL TO REFORM OUR UNEMPLOYMENT INSURANCE SYSTEM. THAT ENABLED US TO PAY BACK THE \$600 MILLION DOLLAR DEBT LEFT BY THE PREVIOUS ADMINISTRATION. WHEN THAT'S PAID BACK, AS IT WILL BE SHORTLY, WE'LL HAVE ELIMINATED A FEDERAL SURTAX THAT COST NEW JERSEY BUSINESSES \$110 MILLION A YEAR.

AT THE BEGINNING OF THIS YEAR, I SIGNED A BILL TO PHASE DOWN THE TRANSFER INHERITANCE TAX. WITH THAT SIGNATURE, I ENACTED THE BIGGEST TAX CUT IN NEW JERSEY'S HISTORY -- WORTH \$585 MILLION IN THE NEXT SIX YEARS ALONE. WHEN FULLY IMPLEMENTED, THAT WILL SAVE NEW JERSEY TAXPAYERS \$180 MILLION PER YEAR.

AND ALSO THIS YEAR, I SIGNED A BILL ENABLING NEW JERSEY BUSINESSES TO CARRY FORWARD LOSSES FOR TAX PURPOSES. WHEN THAT BECOMES FULLY EFFECTIVE, THAT WILL CUT BUSINESS TAXES BY \$38 MILLION PER YEAR.

WHEN YOU ADD THOSE MEASURES TO THE BILL I HAVE JUST SIGNED, THE RECORD SHOWS THAT I HAVE SIGNED INTO LAW TAX RELIEF MEASURES WORTH \$1 BILLION A YEAR TO NEW JERSEY TAXPAYERS.

SO IT IS NO AVERSION TO CUTTING TAXES THAT GIVES ME PAUSE ABOUT THIS BILL.

IT IS, RATHER, CONCERN ABOUT THE LONG TERM FISCAL HEALTH OF THE STATE.

I HAVE SIGNED THIS TAX CUT BECAUSE THE TAXPAYERS DESERVE IT. BUT I REPEAT MY CALL FOR THE LEGISLATURE TO COME UP WITH A PLAN THAT IS FAIRER, MORE PROGRESSIVE, AND MORE FISCALLY RESPONSIBLE THAN THIS.

MY MESSAGE TO THE TAXPAYERS IS THIS: YOU DESERVE A BREAK TODAY.

MY MESSAGE TO THE LEGISLATURE IS THIS: LET'S MAKE SURE
WE CAN AFFORD THIS BREAK TOMORROW.

THANK YOU.

TOTAL INCREASES IN STATE AID TO HOLD DOWN PROPERTY TAXES
UNDER TOM KEAN

-FY '83 Increase:

\$215 Million

Repeated 4 times

(FY '83, FY '84, FY '85, FY '86)

\$860 Million

-FY '84 Increase:

\$242 Million

Repeated 3 times

(FY '84, FY '85, FY '86)

\$726 Million

-FY '85 Increase:

\$364 Million

Repeated 2 times

(FY '85, FY '86)

\$728 Million

-FY '86 Increase:

\$400 Million

\$400 Million

TOTAL:

\$2.7 Billion

TAX RELIEF UNDER THE KEAN ADMINISTRATION

	<u>Annualized Value</u>
Increases in Programs to Cut Property Taxes (FY '86 budget signed 6/30/85)	\$ 400 Million
Phase Out of Inheritance Tax	\$ 180 Million
Elimination of Corporate Net Worth Tax	\$ 160 Million
Elimination of Unemployment Insurance Federal Surtax	\$ 110 Million
Loss of Carryforward Law	\$ 38 Million
Income Tax Reduction (in Red) (A-2982)	<u>\$ 180 Million</u>
Annual Tax Relief:	\$1.068 Billion