



NEWS

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Where Does State Income Tax Revenue Go?

Increasing the State Income Tax Will Not Lower Property Taxes in the Garden State

WASHINGTON – Proponents of raising taxes on small businesses and the employees of those businesses by increasing the state’s top income tax rate continue to tell people that raising the tax will lower people’s property taxes. Despite the fact that not one year has the state income tax reduced local property taxes, the myth continues to circulate. So much so that even suburban legislators believe that raising the state income tax will help their constituents and are now supporting this tax increase. They are truly mistaken. Consider these facts:

If the state raises taxes by \$360 million through the income tax solely for education purposes, the 30 Abbott school districts would receive more than 63 percent of the revenue. The remaining 566 school districts would receive just \$133 million. This \$133 million is peanuts compared to the more than \$1 billion of property tax increases occurring under McGreevey’s watch. Raising the state income tax will never lower property taxes.

Furthermore, no matter what state taxes are raised, property taxes will never be fixed until the Abbott formula is reversed. Before Florio raised the state income taxes and changed the income tax formula, Abbott districts received 40 percent of all education funding, despite having just 25 percent of the students. Today, it is 50 percent of every dollar spent on education and growing.

For every \$1 raised in the state income tax, roughly 67 cents will fund the Abbott bureaucracy, not local property tax relief.