



AMERICANS FOR TAX REFORM

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20 Questions McGreevey Must Answer Before Raising Taxes on New Jersey Taxpayers

Governor needs to skip the rhetoric and answer the substantive questions

WASHINGTON – 2 Years, 3 Months, and 13 Days after being sworn in as governor, Gov. James E. McGreevey will attempt to speak about property taxes for the first time. Who would have thought after the constant mantra repeated over and over again by Candidate McGreevey about New Jersey having the highest property taxes in the nation it would take this long to get him to try and do something about it.

Well, maybe it's just such a great plan it took this long to develop. Nah. McGreevey is going to take the easy way out and propose raising taxes with the claim he is lowering taxes. So Americans for Tax Reform (ATR) has compiled 20 questions that the governor should fully answer if he believes his strategy will lower property taxes for New Jersey families.

1. You promised not to raise taxes if elected governor. You have since raised taxes every year since you were elected, but at the same time promised not to raise the income or sales tax. You are now set to break that promise again. **Why should the voters of New Jersey believe anything you say from this point forward on any subject since you are consistently breaking the promises you made in order to protect your electoral standing at the time?**
2. In 1976, 1983, and 1990 New Jersey voters were told initiating/increasing the state income tax would lower property taxes. But that never happened and both property taxes and state taxes were higher. **Why will your plan work differently than the previous schemes to raise one tax in attempt to lower another tax?**
3. Yet, you said in the 2001 campaign for governor that you “*regretted*” the decision the vote for the Florio tax increase. However, Gov. Florio said at the time he was raising taxes on the wealthy to lower property taxes for the middle

class – exactly what you are saying now. **What is the difference between your plans and how will it lower property taxes?**

4. When NJSAVER was proposed in 1998 you said the rebates were *"a complete and utter failure...for real property tax reform."* Yet you are proposing something similar by raising one tax to increase the rebates that you criticized. **Why is your proposal not a failure as well?**
5. Furthermore, when the state legislature proposed doubling the rebate as you now are proposing your consultant Brad Lawrence speaking on the record as an official aide to your campaign dismissed the concept as a "gimmick" and said *"It doesn't strike us as anything fundamentally groundbreaking. It is not reform. He [DiFrancesco] is already campaigning for governor way in advance. This clearly is the first proposal of his gubernatorial campaign, and not serious governance for this year."* **Why is your plan not a gimmick? Is your plan serious governance? How is your plan different than the one proposed by DiFrancesco? And is your plan the first proposal of the gubernatorial campaign?**
6. You have proposed \$1.3 billion of tax increases (non income taxes) in your fiscal year 2005 budget. As a result, your FY 2005 budget expects a \$1.9 billion increase of tax revenue (7.7%) bringing the total state resources to \$26.26 Billion. **Are you saying that property taxes are such a low priority for your administration that you cannot reduce property taxes with more than \$26 BILLION of resources already available to you without the proposed income tax increase?**
7. With the proposed \$1.3 billion income tax increase and the administration's FY 2005 budget, total spending will be \$27.6 billion in FY 2005. So for your first three budgets spending will be \$4.24 billion more than the final FY 2002 budget leaving you with an average annual increase 5.7 percent **PER YEAR**. This is more than three times the rate of inflation, much faster than personal income growth and the state's economy and property taxes will still be over \$5,000 per year. **Again, are property taxes such a low priority for your administration that you continue to increase spending on non-property tax related items while telling New Jersey taxpayers you need to raise their taxes to lower their property taxes?**
8. As previous income tax raising governors will attest, raising the income tax revenue will only offset property taxes in the first year because property taxes will increase by more than \$1 billion in the second year and the level of income taxes will remain the same in year 2. **If you are not raising the income tax more than once how will you offset property tax increases in year 2?**
9. On February 27, 2001 you told a Rowan Town Hall meeting raising state taxes will hurt New Jersey competitively. In response to a question about why you

would not raise taxes you said, *"We are in a competitive regional environment. Our economy is profoundly changing."* This is a clear reference you made that raising the tax will hurt the state's competitiveness. You told the Asbury Park press Editorial Board something similar early in your administration specifically about the income tax. **Why would your proposed income tax increase not hurt New Jersey's competitiveness as you claimed at the townhall meeting?**

10. In fiscal year 2000, the state lost 22,800 more residents than entered the state (domestic migration – state to state). Moreover, the income gap of residents leaving the state is growing compared to the residents that are moving in. In 2000, the adjusted average household income leaving the state of New Jersey was \$62,407, while the adjusted average household income entering the state was \$59,157. In fiscal year 1995, both the inflow and outflow household incomes were around \$47,000. This income gap widening, compounded with the significant number of net residents leaving the state, has resulted in the loss of nearly \$1.2 BILLION to the state's economy in fiscal year 2000. The \$1.2 BILLION loss is equivalent to 0.4% of the state's economic output. **Do you believe that your plan to increase income taxes will exacerbate this deficit?**
11. In 2001, you campaigned on a platform to repeal NJSAVER rebates for households making over \$200,000 and return use the money to pay down the state debt. In fact, as the Legislature passed the proposal to double the rebates you said "The only way to guarantee that we will sustain property tax relief programs far into the future is by grappling with the mountain of debt that has been accumulated over these past eight years." However, the savings from the repeal of SAVER was never used to reduce debt and state debt has skyrocketed under your watch. **Are you now proposing to increase rebates while issuing \$1.5 billion of new state debt for operational expenses? How can you guarantee these rebates without grappling the mountain of debt you have saddled the state with?**
12. In your 2003 Budget Address you referred to the "Perfect Storm," a confluence of three factors that resulted in the state's budget problems. One of those three problems you cited was the dramatic decline of capital gains revenue which led to a hemorrhaging of state income tax revenues. **Then why would you put forward a proposal to increase the state's reliance on this temporary and volatile source of revenue that will only lead to even greater budget shortfalls during economic slowdowns in the future?**
13. State revenue is really starting to take off as the economy has finally turned the corner. Income tax revenues have increased nearly \$300 billion in the first nine months of the fiscal year with more increases expected from the final tax collections. **Why are you putting forward a plan to raise income taxes more than \$1 billion before the final tax collections (that were due April 15th) have been tallied up and made up public? Do you believe it would be more**

responsible to know exactly how much money the state currently has before putting out a plan to raise taxes even more?

14. The Administration's fiscal year 2005 budget expects income tax revenues to increase by more than \$600 million with private forecasts showing nearly \$1 billion of income tax revenue growth. **By proposing an income tax increase of more than \$1 billion are you saying the \$8 BILLION of state income tax revenues is not enough to reduce property taxes in New Jersey?**
15. **If \$8 billion is not enough, then please document how each and every dollar of that \$8 billion is spent and demonstrate that each dollar is being used in the most efficient manner.**
16. If your proposed income tax increase goes through, from 1990-2005 state income tax payments will have increased 199 percent in just 15 years. This is an annual average of 7.6 percent per year. At the same time, personal income in New Jersey will have increased just 100 percent. **Do you believe the state does not have enough income tax revenue when tax payments to the state have been increasing at double the rate of New Jersey family income growth and do you believe this is dangerous from an economic perspective?**
17. In January 1995 you held a press conference at the Statehouse and proclaimed local school spending should be held to the rate of 2 percent per year. As you know, it is the local spending that drives increases in local property taxes. Without a constitutional restraint, as you proposed in 1995, local spending property taxes will never be reduced no matter how much state money is raised. **Do you support your 1995 position requiring local governments and school districts to limit spending growth to the rate of inflation?**
18. At that same press conference you advocated for a supermajority to raise state taxes yet have rammed through tax increases by a slim majority and are now advocating another \$2.6 billion in tax increases. **Why do you now believe that raising taxes does not require a supermajority of the legislature?**
19. As you may know, many states have voted on tax increases. Alabama proposed raising the state tax on high-income residents to lower taxes on lower-income residents. Oregon also proposed raising the income tax. Of all the states proposing an increase in the income tax to the voters all the proposals have been overwhelmingly rejected by the voters (i.e. 60 percent), while polls showed support for the measures. **Do you believe given the magnitude of your proposal, the recent history of voters across the country rejecting income tax increases, and NJ's response to the Florio tax increases that voters should have a say in specifically raising the income tax?**

20. If lowering property taxes is the highest priority as you say it is, why did you not act sooner while property taxes skyrocketed 14 percent under your watch?