

Christie could put the ax on tax

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(Photo: Mel Evans/AP)

When Gov. Chris Christie appears before a joint session of the Legislature next month to deliver the final budget of his administration, he has within his grasp an opportunity to leave a lasting imprint on the state's economic, political and social life by proposing a comprehensive overhaul of the state's tax structure and, at long last, provide meaningful relief from the property tax burden.

With no reelection campaign on the horizon, Christie is free from the political pressures that often drive public policy decisions.

Thus unconstrained, Christie is in a position to aggressively confront the issue that has bedeviled governors and legislatures for more than a half century – control, stabilize and eventually reduce the property tax burden.

With his historically low public approval ratings, Christie has minimum political capital at his disposal, but his considerable communication skills, his ability to rally public opinion and the executive powers of the office provide leverage in dealing with the Legislature.

He has a wide array of options from which to choose, from the relatively modest to the radical.

He could, for instance:

- Call for a constitutional convention whose delegates would be charged with responsibility for drafting a re-structuring of the state's tax code and submitting it to the Legislature within a year. Similar recommendations in the past have failed largely due to disagreements over the degree of latitude the convention would enjoy.
- Recommend greatly increased levels of municipal and school district aid and require that any additional state assistance be applied directly to property taxes. At \$9 billion – some 30 percent of the state budget – aid to education is the largest such appropriation, but in recent years has been held largely flat, leaving school districts and municipalities with no option but the property tax to cover additional expenses.
- Mandate shared services or municipal consolidation and require that any savings realized be directed to property tax reduction. The effectiveness of these steps has been greatly minimized by their voluntary nature, and there appears to be little appetite for ordering their implementation. Home rule is so deeply ingrained in the political psyche that it's sacrosanct.
- Propose a dramatic alteration in the current school aid formula to, among other steps, eliminate the unfairness in over-funding some districts while under-funding others. Any revision in the formula, however, is apt to produce an expensive and protracted court challenge. Moreover, the governor's proposal last year to grant the same amount of per pupil aid to every district regardless of size or circumstance has already been declared unacceptable by the Legislature, and any effort to win approval would be futile.
- Call for an amendment to the state constitution to allow large business and commercial property to be taxed at a higher rate than residential property. Article VIII, Section I requires a uniform rate of taxation; i.e., a \$100 million business property and a \$100,000 home are subject to the same rate. The business community would erupt in outrage over such an idea (called property tax classification), and its value would be as a potential trade-off in return for breaks in other business taxes.
- Propose that municipalities be granted other taxing options – local income tax or sales tax – in return for substantial and permanent reductions in the property tax. Other states allow income to be taxed locally on the theory that income is a far more equitable measure of personal economic circumstance than an arbitrarily established value of residential property. Opponents argue that this additional power is tantamount to additional taxation and over time, the savings would disappear.

The property tax burden has been consistently identified as the state's most serious problem and has been cited as the major reason for people moving to other states, particularly retirees who can no longer afford the taxes on their lifelong homes.

Some 1,200 entities – school districts, municipalities and counties – rely on property tax revenue for everything from crayons for kindergarteners to bulletproof vests for police officers.

As local government costs increase, the over-reliance on property taxes becomes more acute. The days of the \$30,000-a-year cop and the \$28,000-a-year schoolteacher are long gone, never to return. Pensions and benefits costs continue to rise, despite increased employee contributions.

The stricter 2 percent cap on property tax increases enacted several years ago has been helpful, but has served only to slow the rate of increase rather than halt it or reduce the out-of-pocket cost to the homeowner.

New Jersey's property taxes are the highest in the nation, have been so for years, and there is no indication its top ranking will decline anytime soon. There is, moreover, a growing number of communities in which the average bill exceeds \$10,000 and can be as high as \$20,000.

Each year at the conclusion of the governor's State of the State address and budget message, the opposition party in the Legislature is quick to point out that the governor either failed to mention the property tax issue or glossed over it.

Aside from partisan grousing and demands that the issue be given higher priority, nothing of substance was offered. It's been a talking point in successive gubernatorial and legislative election campaigns, but specifics have been lacking.

Some legislators have privately – and candidly – said that there is a distinct lack of political will in the Legislature to take on the issue in any comprehensive way. There is a willingness to accept an admittedly unfair and burdensome system rather than risk the potential political retribution involved in changing it.

Christie could, if he chooses, alter the landscape dramatically by issuing a forceful challenge to the Legislature to borrow from President Kennedy's inaugural speech in 1961 to "put a man on the moon and bring him back safely within the next decade."

The history of the property tax issue in New Jersey is such that the level of difficulty in solving it is comparable to a moon shot.

Christie could push the launch button, and a majority of New Jerseyans would be eager, indeed, to witness liftoff.

Carl Golden is a senior contributing analyst with the William J. Hughes Center for Public Policy at Stockton University.

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