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No millionaires tax, no shutdown as Murphy avoids PR disaster, says Carl Golden

Carl Golden For The Press 11 hrs ago

New Jersey's millionaires and state employees can rest easy: When the fiscal 2019-2020 state budget is approved at the end of next month, it will not contain a tax increase on incomes exceeding \$1 million and there will not be a government shutdown.

Despite Gov. Phil Murphy's insistence that millionaires are avoiding paying their fair share in taxes at the expense of the struggling middle class, legislative support is confined to a scattered few.

Both Senate President Steve Sweeney, D-Gloucester, and Assembly Speaker Craig Coughlin, D-Middlesex, have not budged in their opposition to the tax increase. If anything, they have become even more hardline after the administration announced tax collections have exceeded initial estimates by nearly \$500 million.

The unanticipated bump in revenue destroyed whatever slim hope there may have been for the millionaire's tax and bolstered the arguments made by Sweeney and Coughlin that spending reforms and reductions are the most effective means of fiscal stability rather than greater taxation.

Murphy, though, looks more and more like a man clinging desperately to an "SS Taxes" life preserver in heavy seas as he watches rescue vessels slip over the horizon.

In a clumsy, last ditch effort to attract support, he proposed directing \$250 million from the newfound revenue to property tax relief programs in return for approval of the tax increase. His trial balloon barely cleared the ground before it was peppered full of holes.

Warnings of a budget stalemate and a government shutdown on July 1 are the kind of gossip that drifts lazily through the halls of the Statehouse during budget deliberations.

The Legislature will send a spending plan without the millionaires tax to the governor's desk, dare Murphy to reject it and absorb the torrent of abuse that will come his way if government operations cease, state parks and beaches close, and taxpayers attempting to conduct business with government agencies confront locked doors.

Sweeney, Coughlin and their respective caucuses will escape blame by arguing they approved a responsible budget, one that funds essential services and priorities and it is the governor who stands in the way out of personal pique over his failure to secure a tax increase.

While their inexperience in dealing effectively with the political crosscurrents of legislative deal-making has been an issue for the governor and his staff in the past, the disastrous consequences of sparking a government shutdown over a tax increase should be apparent to all.

Murphy can certainly continue to make his case that the Legislature has placed protecting 19,000 wealthy New Jerseyans above the economic well-being of millions of working men and women, but it will be to no avail.

Tax the rich has always enjoyed popular support, but it's always been in the context of requiring someone else to pay more to support government while fearing that, if the rich aren't taxed, the less wealthy will be.

Murphy cannot make that argument, while Sweeney and Coughlin can take credit for a budget in which no one — rich, middle or low income — will experience a tax increase.

Murphy's back is against the wall, his options are not only limited but politically perilous.

A more sure-footed administration could have seized the moment and taken advantage of the surge in tax revenues by taking credit for it, attributing it to its well-crafted policies and competent management.

As a result of his administration's excellent fiscal stewardship: Voila! No need for a tax increase.

By insisting instead on the millionaire's tax, Murphy lost an opportunity to undercut Sweeney and rebut the senator's arguments that a massive overhaul of the state's tax and spending structure is necessary.

He could have regained the initiative and restored the governor's office to its preeminent role in budget matters, leading the Legislature to embrace his goals and objectives while sharing the credit.

Sweeney has shrewdly elevated himself to a level of equality with the governor, as much a policymaker and leader as the chief executive.

The bitter intra-party conflict between Murphy, Sweeney and prominent South Jersey political figure George Norcross has overshadowed budget deliberations — traditionally the most dominant issue in any year — but lacking any major upheaval before July 1, Sweeney will be viewed by the political cognoscenti as the winner when the budget is signed into law.

Millionaires will keep more of their incomes and state employees will continue to show up. The best that can be said for Murphy is that he avoided a public relations nightmare.

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Norcross, firms sue Murphy over tax credit investigation