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N.J. cuts expected in lieu of tax hikes

A Corzine spokeswoman, however, said it was too early for a final decision: "Nothing is off the table."

By Jonathan Tamari and Adrienne Lu

Inquirer Trenton Bureau

Several Democratic officials said Friday that they did not expect major tax increases in Gov. Corzine's new budget, although a spokeswoman for the governor said all options remained on the table.

"There will be no increase in personal-income tax or sales tax," Senate President Richard J. Codey said. "At no point in any discussion about options did [Corzine] say that was an option."

Codey (D., Essex) said a corporate-tax hike was "not viable" given the weakened economy, which has crippled business-tax revenue.

Assembly Budget Chairman Louis D. Greenwald (D., Camden) said he also expected the new budget to be free of tax increases. Three other high-ranking Democrats said Corzine was focusing on deep spending cuts, not tax hikes, to close a multibillion-dollar deficit for the budget year that begins July 1.

Corzine has repeatedly said he sees tax hikes as a last resort, but he has refused to rule them out. His spokeswoman, Deborah Howlett, said it was too early for a final decision, especially given the state's volatile revenue picture.

"Nothing is off the table," Howlett said.

Two weeks and many meetings remain before Corzine's March 10 budget speech, she said.

The dire economy presents a dilemma on taxes. On one hand, the crisis has driven tax revenue to 2006 levels. On the other, Corzine has said raising taxes could further damage the economy.

He has not raised taxes since increasing the sales tax and a number of smaller fees in 2006. Going three years without a tax hike would boost Corzine's fiscal credentials as he campaigns for reelection later this year.

But without a tax increase, the magnitude of cuts needed to close the state's deficit would grow.

The three Democratic officials, granted anonymity so they could speak more freely, confirmed that the potential cuts include drastically scaling back or eliminating property-tax rebates for all homeowners except senior citizens and the needy.

Corzine said Friday that no decisions had been made, but that everything was under review.

A cut would continue a pattern of rising and falling rebates. The average rebate for non-senior homeowners went from \$680 in 2004 to \$340 and \$285 the next two years, then back up to around \$1,000 in 2007. It was about the same in 2008, but few people received one.

The program cost \$1.7 billion last year, making it a fat target.

"It's such a large chunk of money," said Codey, who scaled back the program in 2005 when he was governor.

Homeowners and tenants 65 and older have generally been protected when the program has been cut.

Assembly Speaker Joseph J. Roberts Jr. (D., Camden) said few residents associated the rebate checks with property-tax relief because the checks arrived separately from tax bills.

"The average New Jersey property-tax payer desperately needs this relief, but the rebate mechanism is such a clumsy and political way to provide that relief that it makes it a target," he said.

Roberts has staunchly defended the rebates in the past, especially in election years like this one, when all 80 Assembly seats and the governor's office are up for grabs.

He said that property-tax relief remained a top priority, but that given the "unprecedented economic challenge of our lifetimes . . . we have to be prepared to cut everywhere if necessary."

Greenwald said the hard times for residents gave more reason to protect rebates.

The program reaches roughly one million homeowners younger than 65.

Another large area Corzine might target for cuts is aid to towns, which receive around \$2 billion in support to help keep property taxes lower.

School aid accounts for nearly a quarter of state spending, but Corzine may face limits in what he can cut, because some of the federal stimulus aid is tied to maintaining certain levels of education spending.

Because roughly 75 percent of the state budget goes to schools, hospitals, towns, and other groups, Rutgers University political scientist Ingrid Reed said, Corzine has limited options to balance it. She said trimming property-tax rebates to reduce spending made more sense politically than increasing taxes.

"Raising taxes in New Jersey is even more politically volatile than cutting," said Reed, director of the New Jersey Project at Rutgers' Eagleton Institute of Politics. "I think back on the governor's town meetings last year. He was hearing from people, 'Enough is enough. You've got to cut.' This was before the economy went sour. I think we're not going to see new taxes."

Patrick Murray, director of the Monmouth University polling institute, said Corzine's other options included cutting the state workforce, which would mean a reduction in services and increase the burden on towns and school districts.

"There are no easy answers to this," Murray said. "There's going to be pain, and the governor will be judged in this election year by two things - whether he prepared us for this situation adequately enough and, two, whether he spread the pain around fairly."

Murray added that property-tax rebates did not fool anyone.

"Voters aren't stupid here in New Jersey. They've always understood the property-tax rebate to be a bit of a ploy. It's not true property-tax reform, which is what they really want, but considering how high the costs are, they'll take the check."

Contact staff writer Jonathan Tamari at 609-989-9016 or jtamari@phillynews.com.

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