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Daggett says he'd cut N.J. property tax burden

By Adrienne Lu

Inquirer Trenton Bureau

TRENTON - Independent gubernatorial candidate Chris Daggett unveiled yesterday an ambitious proposal to reduce the property tax burden in New Jersey.

Daggett's plan would offer homeowners a 25 percent property tax cut, up to \$2,500. All senior citizens would receive the maximum amount.

Daggett also is proposing to cut the top corporate and income tax rates to make New Jersey more competitive with other states.

He would pay for the tax cuts by expanding the sales tax to include a broad range of services that are not now taxed, including services by professionals such as accountants and lawyers.

"We're the highest-taxed state in the nation," Daggett said at a news conference at the Trenton Marriott. "We know that property taxes are crushing people in New Jersey and have been for some time."

The major-party candidates in the gubernatorial race, Democratic Gov. Corzine and Republican challenger Christopher J. Christie, have yet to offer detailed proposals on how they would address the state's high property taxes, which many New Jerseyans say is the top issue facing the state.

The Corzine administration acknowledges that property taxes are too high, but has noted that they increased this year by 3.7 percent, the lowest jump in nearly a decade. Corzine has also committed more than \$7 billion to direct property tax relief, according to the administration, more than any other governor.

With his proposal, Daggett, whose poll numbers have mostly stayed in the single digits, is hoping to kick his campaign into high gear.

Tomorrow, the former environmental administrator from Bernards Township will receive even more visibility when he debates Corzine and Christie in one of two state-sanctioned debates. Daggett is eligible to participate in the debate, to be broadcast live on NJN, because he raised enough money to qualify for public matching funds.

Other elements of Daggett's economic proposal include limiting budget increases for schools, municipalities, and counties, as well as employee contracts, to the rate of inflation. Residents in towns that do not adhere to the caps would forfeit their homeowners' property-tax cuts.

Daggett would also designate \$130 million for the preservation of open space, to promote tourism, and to reimburse Shore towns willing to make beach access free to the public.

Michael Mazerov, a senior fellow at the Center on Budget and Policy Priorities in Washington, whose work was studied by the Daggett campaign in creating the proposal, said that states address taxing services very differently. A few states, including South Dakota, Hawaii, and New Mexico, tax virtually all services, while a few tax none. He said New Jersey falls in the middle. Very few states tax professional services, he said.

In 2006, New Jersey started levying a sales tax on services including landscaping, limousines, self-storage, private investigation, and security guards.

Sales taxes are typically seen as regressive, meaning they have a bigger impact on poorer residents. Mazerov said it would be difficult to determine whether Daggett's proposal would have a bigger impact on wealthier or poorer residents. While taxing professional services such as legal and accounting services would affect higher-income residents more, he said, taxing other

services would do the opposite.

"There are a lot of services that relatively low-income people have to purchase just as much as upper-income do, such as if your toilet's broken, you have to hire a plumber. That affects everybody," Mazerov said. "It really takes a great deal of careful analysis to figure out whether expanding the base is progressive or not."

Pennsylvania taxes a select number of services, including lobbying, secretarial and editing services, disinfecting or pest control, building maintenance and cleaning, lawn care, and self-storage, said Stephanie Weyant, a spokeswoman for the state Department of Revenue.

Under Daggett's plan, certain services considered essential, including medical, educational, and funeral services, would not be subject to the sales tax, according to Mark Maguire, the policy adviser for the Daggett campaign. Business-to-business services also would be exempt.

Daggett estimates that expanding the sales tax would bring in an additional \$3.9 billion. Included in that would be \$205 million in new revenues from vacation home and condominium rentals, which Daggett said are mostly paid by non-New Jerseyans.

Mary Forsberg, interim president of New Jersey Policy Perspective, did a report in 2004 studying the taxing of services in New Jersey, New York, Pennsylvania, and California. At the time, New Jersey taxed 65 of 168 services, fewer than the other states examined.

Forsberg said she likes the idea of expanding the sales tax to include more services, but said that some, such as legal work, would be unlikely to pass muster with the Legislature, many of whose members are lawyers.

Some hope Daggett's proposal will elevate the level of the debate in the gubernatorial race.

"The real value of what he's done is that he's laid out a proposal that can make sense, depending on what your priorities are," said Ingrid Reed, director of the New Jersey Project at Rutgers' Eagleton Institute of Politics. "It demonstrated that there are different ways of reaching an objective - raising the funds that you need for government - and there are also alternatives for the way that you spend it."

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