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President

# Report

## TO MEMBERS

## Higher Property Tax Rates for Business Is NOT Real Reform

The business community is incredulous that one of the first things a state legislative committee considered in its summer hearings on property-tax reform was whether to amend the long-standing uniformity or “fairness” clause in the State Constitution that has existed since 1875.

To say that this would be bad for business and the economy is an understatement. It would be a disaster. What are they thinking?

The fairness clause requires municipalities and other local government entities to tax all properties, commercial and residential, at the same rates. If this clause is changed, as some have suggested, it could permit unfettered tax discrimination against businesses. Municipalities would be free to impose higher taxes on business properties with no limit on how high those taxes might go.

One recent proposal would increase business-property taxes in one year by a whopping \$2 billion, a 40 percent increase. A tax increase of this magnitude would be devastating to business property owners and to business tenants who rent.

NJBIA has made protection of the fairness clause one of its top priorities. We have spoken loudly and persistently in this debate, and we have been quoted frequently in news reports. This is one reason the Star-Ledger identified our Association as the only “mover and shaker” in the private sector on this issue.

We want to make sure that property tax reform doesn't simply become an excuse to shift more taxes onto employers. We believe it is vitally important that the State guarantee fair treatment of all property-tax payers. We all pay too much in taxes.

Another problem with tax discrimination, apart from its unfairness, is that it won't solve the problem of soaring property taxes in New Jersey, now the highest in the nation. It would

simply shift the burden of taxation from one group of taxpayers, the homeowner, to another group, the business owner.

We must attack the problem of high property taxes at its root, and that root is runaway government spending. It is spending that drives the need for higher taxes in the first place. While it is easier politically to shift taxes onto employers, real reform means making hard decisions on spending priorities.

Property taxes have been increasing by 7 percent a year for the last five years, more than twice the rate of inflation. If spending is not brought under control, a one-time 15 percent decrease in property tax bills would, for example, be offset by increased government spending within just two years. Fortunately, Governor Jon Corzine does not like the idea of ending the fairness clause. He says it could do real harm to business and the state economy. “I believe it is absolutely essential that we grow our economy if we are to have long-run economic success, and we need to be doing those things that enhance it, not limit it,” the Governor told news reporters during the summer hearings when questioned about the issue.

We soon will know what the Legislature intends to do. Four special committees are looking into property tax reform, and one of those committees is investigating possible changes to the fairness clause. Their recommendations for legislative action are due November 15. I encourage you to contact your legislators to let them know where you stand.

In the meantime, the Legislature would do well to keep its eye on private-sector job growth in New Jersey. It is the most reliable bellwether of the state's economic health, and right now it is sending off alarming signals. An outright loss of 2,500 private-sector jobs in July has left the State with a tiny gain of 10,900 private sector jobs so far this year. That's a gain of just three tenths of one percent, a rate of employment growth much slower than the rest of the country.

To hit business with discriminatorily higher property taxes surely would deal a body blow to a state economy that is already on the ropes. ❧