



**From:** NJLM - Municipal Clerks [mailto:njlm-clerks@cityconnections.com]  
**Sent:** Thursday, November 06, 2008 4:22 PM  
**To:** Lashway, Lisa  
**Subject:** Municipal Clerks from NJLM

**LEAGUE ALERT**

Municipal Clerk: Please forward to Mayor and Governing Body.

November 6, 2008

**Re: Property Tax Relief - Act Now to Influence Next State Budget**

Dear Mayor:

With the election behind us, we need to immediately turn our focus to the economic crisis and to the effects it is having and will soon have on our fellow citizens. And we need to consider what we can do to make things better.

As we write this letter, Treasurer Rousseau and the rest of Governor Corzine's team are hard at work on the State's next crucial budget. That budget can be a Godsend to New Jersey citizens, struggling to weather the current economic storm.

Now is the time to renew our call for meaningful and consistent property tax relief funding for municipal government.

New Jersey Legislatures and Governors have, historically, expressed an interest in providing property tax relief to the people of our Garden State. Few have been as articulate in their promotion of the cause of property tax relief as the current Governor and Legislative Leadership. Given New Jersey's chronic over-reliance on regressive and anachronistic property taxes, the need for relief has become even more pronounced as a result of our current economic crisis.

There are, as you know, two main formula-driven general municipal property tax relief programs currently on the books in our Garden State. The Energy Tax Receipts Property Tax Relief program is the direct descendant of the Public Utility Gross Receipts and Franchise Tax (PU-GRAFT), which was a

tax on regulated public utilities originally assessed and collected at the municipal level. In the early 1980's, when, at the request and for the convenience of the tax paying utilities, the State became the collection agent for this assessment, the law that effected this change promised that the proceeds would be distributed back to the municipalities, which provide services to utility facilities and from whence come utility profits. The State of New Jersey never honored that commitment, immediately diverting large and growing portions of the proceeds to its own general fund. Modernization and deregulation led to a major reform of utility taxes in the mid-Nineties, which validated and, supposedly, capped the State's annual skim, and which included a 'poison pill,' which required the State to annually increase the municipal distribution of Energy Tax proceeds or to risk the forfeiture of the State's authority to collect the tax.

Around the same time, for its own convenience, the State decided to 'consolidate' a number of previously discrete municipal property tax relief programs into the Consolidated Municipal Property Tax Receipts Aid (CMPTRA), many of the component parts of which had been distributed according to state established formulas. Many of those parts were, like Energy Taxes, the lineal descendants of taxes that had once been assessed and collected at the municipal level, including the Financial Business Tax, the Business Personal Property Tax

Replacement, the Railroad Class II Property Tax, the Insurance Franchise Tax, the Corporation Business Tax on Banking Corporations and a big chunk of State PILOT payments, that had been under-funded for many years, prior to being folded into the Consolidation. These are, or were, like the Energy Tax, all *municipal revenue* replacement programs, not, properly speaking, *State* aid, since they were not meant to make things better for municipal property taxpayers, but only intended to keep things from getting worse.

In the late-Nineties, a law was passed that required both the Energy Tax and CMPTRA distributions to be annually increased by the rate of inflation, which requirement posed a special problem for future State budget makers. As those budget makers viewed the matter, the problem was not how to comply with the requirement; rather the problem was how to evade compliance without invoking the Energy Tax 'poison pill.' In order for the State to increase Energy Tax distributions by the rate of inflation for five straight years without providing municipalities with one new dollar in property tax relief, it reduced the CPMTRA distribution by the same amount that it increased the Energy Tax distribution.

Though they have, in the past, and may, in the future, be ignored, formulas matter, if for no other reason than they give us a standard by which to judge an

official's commitment to property tax relief.

Our current economic crisis makes it imperative for the state to publicly indicate that it intends to honor its statutory commitment to municipal property tax relief funding, so as to allow municipalities to rationally plan and budget for the upcoming year.

To that please, please contact your elected representatives in the State Senate and General Assembly and urge the Legislature and the Governor to take affirmative action to insure program funding sufficient to honor state statutes and their stated commitment to the cause of property tax relief in all New Jersey municipalities.

We'd also encourage to take advantage of any opportunities our Annual Conference may provide to network with Administration officials, leading Legislators, your own State Legislators and you colleagues in municipal government, to promote compliance with State statutes regarding municipal property tax relief funding.

If you have any questions on this, contact Jon Moran at 609-695-3481, ext. 121.

Very truly yours,

William G. Dressel, Jr.  
Executive Director

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