Lawmakers prepare to fight for budget to tax rich and aid poor in New Jersey

By JULIET FLETCHER Statehouse Bureau

As Democrats in the state Legislature prepare for a budget fight through May and June, they have flirted with two major tax policies that would affect earners differently on either end of the income spectrum.

One change would further tax the rich, specifically earners making more than $1 million. The second would increase a state income tax credit for working families, helping an estimated 485,000 households statewide and tens of thousands in southeastern New Jersey.

Southern New Jersey counties have higher percentages of people living below the poverty level than most of the state’s 21 counties, according to census data on poverty and household income.

At the same time, the data suggest that a millionaire’s tax would affect a smaller percentage of taxpayers than elsewhere in New Jersey. The percentage of households with high income is concentrated in the counties close to New York.

Atlantic, Cape May, Cumberland and Ocean counties are among the five lowest counties in the percentage of households earning $200,000 or more, according to the Census Bureau’s American Community Survey.

The precise distributed effect of a millionaire’s tax or an increased tax credit for working families is hard to quantify. The state Treasury said breakdowns of where millionaires live are confidential and would not be released.

The Earned Income Tax Credit is a state supplement to a similar federal tax credit aimed at residents who are employed but earning low incomes.

Christie opposes the millionaire’s tax, and last year vetoed its renewal. He reduced the EITC in the current budget, and proposes keeping it at existing levels next year.

Analysts said this week that geographic and economic factors make the Democrats’ strategy appealing politically in this corner of the state.

“You’re seeing a clear example of the difference between a true Democratic and Republican philosophy,” said Sharon Schulman, director of the Hughes Center for Public Policy at Richard Stockton College. “Not value-judging either one of them, but you are seeing them play out.”

Only one of the two proposals has been drafted as a bill. In April, Sen. Shirley Turner, D-Mercer, proposed restoring the EITC to the level it was in 2010, where the state matched 25 percent of the similar federal tax credit.

Christie last year turned it back to its pre-2008 level, where it pays just 20 percent of the federal level — an estimated savings of $45 million.

Deborah Howlett, who leads the New Jersey Policy Perspective think tank, researched the effect in January this year.

She and her team concluded the restriction to EITC meant a single person raising two children and earning $15,000 in salary would lose $300, more than a week’s pay.

Eligibility thresholds for the tax credit change based on income and the number of children. For individuals, the threshold ranges from $13,460 to $43,352. For married couples, the eligibility level ranges from $18,470 to $48,362.

Data shows that one third of Atlantic, Cape May and...
Cumberland County families — 30 percent when Ocean County is included — make less than $45,000. About 80,000 families in the region make income low enough to potentially qualify for the tax credit, according to an analysis of census data by The Press.

Howlett focused her criticism on where the burden of the Christie administration's cuts fell. “Not to worry, though, the only ones who will be paying more in taxes are those who can least afford to pay more,” she wrote in an analysis.

At an April 18 event in Newark, another group, New Jersey Citizen Action, supported the move to increase the tax credit.

Schulman said the local impact in southern counties was harder because many workers are at the margins of the employment scale.

“They may be working, but often they're underemployed,” she said. “They may be seasonally employed — it's the hotel work and the jobs based on tips that leave people really stretched.”

That affects populations in and around a resort such as Atlantic City, as well as rural farming areas.

Christie has talked more about the other tax policy — the millionaire's tax — as he criticizes the Democrats for pursuing new taxation.

At town hall meetings in April, including one in Cape May County, Christie warned crowds that Democrats had big plans for those taxes.

“They think they know better than you how to spend that money,” he said.

Andrew Pratt, a state Treasury spokesman, said that in 2009 tax filings, 12,269 people statewide filed returns indicating that they had made more than $1 million in income.

Census data again shows that in Atlantic, Ocean, Cape and Cumberland Counties, fewer than 5 percent of households report earning more than $200,000. By contrast, Hunterdon, Morris and Somerset counties, all in the northern part of the state, rank in the national top 10 counties with the highest household income, where the median income is between $96,000 and $103,000. More than 10 percent of households in those counties, as well as in Bergen and Monmouth counties, report making more than $200,000 per year, census data show.

Senate President Steven Sweeney raised the prospect of a renewed tax on millionaires in a round of March interviews. But his staff said the policy’s specifics have not been nailed down.

The governor, meanwhile, mentions the millionaire’s tax in nearly every speech, stressing that businesses have moved out of the state between 2004 and 2008, during the years when an existing higher tax on high earners took effect.

Democrats under Jon S. Corzine had enacted a higher tax rate — 10.75 percent — on earnings over $1 million, and also a new surcharge on earnings in the $400,000 to $500,000 bracket.

Under Christie, those were allowed to expire in 2010. However, a tax rate set by McGreevey, which taxes earners of $500,000 or more at 8.97 percent, remains in effect.

That, says Christie, means “we still have a millionaire’s tax.”

But despite the governor’s commitment not to raise taxes, one factor leaves the door open for unexpected moves: If a state Supreme Court orders the state to pump more money into the public education system, lawmakers will have to find it somewhere, whether through increased taxation, cuts to other spending, or both.

Howlett said the Democrats would have to show whether they had the political will to engage the governor on those policies.

“Are we hopeful? Yes. But there’s a long road to go to see the budget finished.”

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