



May 16, 2018

Dear Legislator,

As you continue negotiations on a budget for FY19, National Taxpayers Union (NTU) and our members across New Jersey urge you to adhere to fiscal responsibility and refrain from imposing additional burdens on taxpayers. We are especially concerned about numerous proposals included within Governor Murphy's budget and proposals offered by legislative leaders that would harm taxpayers. As such, NTU urges lawmakers to keep in mind the following principles as you craft a budget:

No Income Tax Hike: The Governor's budget proposes increasing the top marginal income tax rate to 10.75 percent, up from 8.97 percent. Enacting this rate will give New Jersey the second highest income tax rate in the country (only behind California). If that happens, there could be an exodus of middle and upper-middle income taxpayers who will head for more tax friendly states. The State has already lost almost \$21 billion in gross income over the past decade due to outbound migration. Lawmakers should be sensitive to the prospect of tax increases due to the recent changes to the State and Local Tax deduction (SALT) included in federal tax reform.

No Business Tax Increase: Legislative leaders are strongly considering increasing the corporate tax rate by one-third, from the current 9 percent up to 12 percent. If enacted, New Jersey would have the highest corporate income tax rate in the United States. Compared to its neighbors, the rate would be higher than Pennsylvania's and almost double that of New York's, making New Jersey significantly less competitive. A low corporate tax rate spurs business activity and attracts capital investment from around the world. This can lead businesses to expand job opportunities, improve productivity, and boost take home pay for workers from all income levels.

No Sales Tax Boost: The budget reverses years of scheduled reductions to the state's retail sales tax which became law as part of a compromise between the Democratic Legislature and Republican Governor. Over the past two years New Jersey's 7 percent sales tax decreased to 6.625 percent, but Governor Murphy calls for a return to the 7 percent rate. This burden will fall heaviest on lower-income consumers who spend a greater share of their income than high-income households do. According to [research from New Jersey Policy Perspective](#), a return to the 7 percent rate will cause families with an income between \$25,000 and \$49,000 to pay an additional \$61 a year, and \$86 more per year for families making between \$49,000 and \$79,000.

No New Taxes on Goods and Services: The Governor also wants new taxes on the service economy that will also affect middle class taxpayers by expanding retail taxation to services like Uber, Lyft, AirBnb, and electronic cigarettes - all of which are predominantly used by younger, less affluent Americans. Increasing e-cigarette prices will make it more difficult for smokers transitioning away from traditional cigarettes, and taxes on ride sharing will make transportation more expensive for New Jersey residents and visitors. It also permits the collection of taxes from online retailers with no physical presence in New Jersey, in conflict with precedent established by the U.S. Supreme Court.

Taxpayers are counting on you to pass a fiscally responsible budget without raising taxes or adding to the state's mounting debt problem. NTU looks forward to working with you to ensure a prosperous future for New Jersey and its taxpayers.

Sincerely,

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