



October 21, 2008

Dear Legislator:

On behalf of the more than 10,000 New Jersey members of the National Taxpayers Union (NTU), I am writing in support of Assembly Republicans' proposed sales tax holiday plan as part of a larger tax reform package. Although sales tax holidays generally have a negligible effect on a state's competitiveness, the additional elements of the Republican plan along with the proposed holiday's unique features combine to merit an endorsement from NTU. With New Jersey's business tax climate ranked dead last in the country by the Tax Foundation, it is clear that there is a desperate need for change. As drafted, the sales tax holiday can serve as the beginning of a more fundamental shift in fiscal policy.

The Republicans' proposal would halve the tax from 7 percent to 3.5 percent on all sales during the holiday shopping season, from the day after Thanksgiving until January 4. The proposal will save consumers between \$400 million and \$500 million during that time – not an inconsiderable amount. This is because unlike most holidays, which tend to allow tax-free shopping on limited classes of items over a few days, the New Jersey plan has both breadth and depth. Ideally, the state would rescind the unwise sales tax increase enacted in 2006, but at least with this holiday taxpayers would be able to save money on numerous purchases for a comparatively long period.

Nonetheless, permanent tax reforms must be implemented to provide a positive long-term impact for the state's economy. In addition, fiscal conservatives in the Assembly contend that they have found \$1.3 billion in waste in the state budget – a perfect target for restoring budgetary discipline. Spending transparency in the form of a searchable online database of contracts, expenditures and public employee salaries would give taxpayers access to information on how their money is being spent. The use of existing revenues to fund transportation programs, rather than new tax hikes, is also included in the Assembly Republicans' broader plan. Finally, they argue for a spending cap that increases only at the rate of inflation. Therefore, as a whole this package will put New Jersey back on the right economic track.

If a sales tax holiday provides a catalyst for a more extensive overhaul of the state's fiscal structure, so be it. But policymakers should recognize that restoring growth and prosperity will require an entire array of pro-taxpayer measures.

Sincerely,

A handwritten signature in black ink, appearing to read 'JC', is placed below the word 'Sincerely,'.

Joshua Culling
State Government Affairs Manager