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New Jersey won't collect \$23.5 billion in taxes this year

JOHN DeROSIER Staff Writer Feb 24, 2017



Vince Mazzeo MAZZEO



Craig Matthews / Staff Photographer

Buena Vista is continuing a project to redevelop the Richland area and expand business in the whole township. Local officials scored a big win when Gov. Christie signed a bill that will allow Comar to expand despite being in Pinelands territory. Dec. 7, 2016 (Craig Matthews / Staff Photographer)

New Jersey will not collect billions in taxes this year.

But residents should not expect to see their tax rates go down or anticipate any surprise extra cash. Instead, that money will be kept with the taxpayers to promote business and economic growth throughout the state.

This is nothing new.

In 2017, New Jersey estimates it will not collect nearly \$23.5 billion in the form of tax breaks. The amount is almost equal to two-thirds of the value of the annual state budget. The tax breaks among the major sources of revenue for the state — income, sales, use and corporation taxes — are larger than all categories of spending in the proposed 2017 budget except K-12 education.

But the \$23.5 billion accounts for only 51 percent of the total tax breaks in the state. The rest is not tracked or monitored by any entity, according to a Stockton University report released last month.

The report, released by the William J. Hughes Center for Public Policy at the university, is calling on residents and lawmakers to reflect on the true role and importance of tax breaks in the state.

“Like an iceberg, a significant amount of the tax expenditure picture remains invisible,” the report said.

Seven years ago, the Assembly passed a bill that requires the Department of the Treasury to issue a report of tax breaks for the immediate past, current and immediate future fiscal years.

But the report is incomplete because it tracks only the total number of tax breaks and how much they are worth. It does not give much insight into the financial effects or public policy impacts of the tax breaks.

For example, does the Urban Enterprise Zone special sales tax rate actually improve the health of towns? Do tax breaks designed to help maritime industries actually improve its health?

Assemblyman Vince Mazzeo, D-Atlantic, said while he thinks the state could do a better job tracking tax breaks, the idea behind giving them out is still solid.

“The thing you have to understand with tax incentives is that it’s really competitive out there,” he said, adding tax breaks are helping Comar Inc. expand in Buena Vista Township instead of moving out of state. “If we didn’t have these, South Jersey Gas and others wouldn’t be building in Atlantic City.”

But tax breaks that help companies in the short term do not expire, said David Carr, a political science professor at Stockton and one of the authors of the report.

That could give entities the opportunity to abuse the tax system, he said.

In New Jersey, 18,895 nonprofits have lost their federal tax-exempt status, according to the report. Of these, only 12,205 have lost their 501c3 regulations, which is the standard used by New Jersey.

The problem is compounded by the lack of evidence the state monitors what the breaks are being used for.

“There are not a million bad things going on here with the tax breaks,” Carr said. “But if the state is forgoing all that money that could be collected, you would think that there would be better oversight.”

Carr added that once the tax break guidelines are set, there is almost no way the state can control how much the savings grow.

Mazzeo said he is not against having sunset clauses for certain tax breaks, but he reiterated they do work for economic development.

“We have to look at each tax break,” he said. “If they’re not being used the way they should, then they need to be taken off the books.”

The report lays out several potential actions the Legislature could take to provide better oversight.

It uses the state of Oregon as an example, saying the legislature there is required to review and reapprove income-tax credits every few years.

It also says tax breaks should contain clear policy objectives whose effectiveness can be assessed in the annual Tax Expenditure Report. Other states use legislative staff, outside experts, independent agencies and citizen commissions to annually review tax breaks.

“Forgoing this money is basically like spending it,” Carr said. “The purpose of this is that we hope everyone will reflect and consider what tax expenditures mean to New Jersey in the future.”



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