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

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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

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.

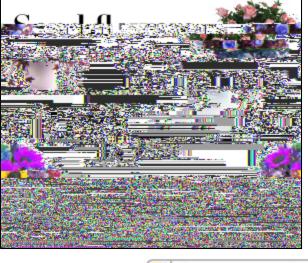
Deborah Howlett, who leads the New Jersey Policy Perspective think tank, researched the effect in January this year.

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

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