N.J. Tax Breaks Totaling at Least $23.5 Billion Worth Some Re-Evaluation, According to William J. Hughes Center for Public Policy

For Immediate Release
Tuesday, January 10, 2017

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Most governments have provisions in their tax codes to provide preferential treatment to reward those individuals, activities, or organizations that it believes deserve special treatment or, more broadly, as an indirect way of achieving publ

They are intended to attract or retain key businesses, support non-profits that may be accomplishing public purposes, and to encourage certain types of behavior, either by individuals or organizations. They also support groups of individuals who are seen as deserving, such as senior citizens, veterans and the disabled. Some aim to correct inequities in the overall tax system, for instance by exempting certain products from the sales tax to ease the disproportionate burden on lower-income earners.

Yet, these often-popular tax preferences are not without issues. Aside from the sheer size of

Despite the legislative intent of requiring the report, the state does not appear to have a process for regularly re-
that would cause any to expire, as is the practice in some other states.

There is little evidence that New Jersey regularly reviews the eligibility of those organizations that have been granted tax-
August 2016, the Internal Revenue Service has revoked the federal tax exempt status of 18,865 New Jersey tax-exempt organizations, of which 12,205 were exempt under

The dollar amounts of the tax expenditures are significant. Counting the value of only 51 percent of the authorized tax expenditures, the estimated annual value of **each** main tax expenditure category - income tax ($8.6 billion), sales and use tax ($9.08 billion), and corporation business tax ($4.7 billion) exceeds the annual value of all state direct expenditures, with the exception of K-12 education ($13.39 billion).

Once an eligibility criterion is established, the state cannot directly control how many individuals, organizations, or even purchases will qualify. Consequently, the rate of growth in the value of tax expenditures is difficult to predict.

Each tax expenditure that grants preference to a group, organization, or purpose has the effect of shifting the burden of taxation to others.

Some examples from the most recent report:

$3.2 billion in income tax credits for taxes paid to other jurisdictions;
Tax exemptions including: $948.6 million for clothing and footwear; and $80.7 million for disposable household paper products;
Tax exclusions including: $2.87 billion for purchases for resale; $234 million for eggs, fish, meat and poultry; $80.1 million for garbage removal and sewer services; $4 million for massage therapy services and $13 million for business retention and relocation assistance grants.

All estimates from the state report are listed in the complete policy brief at:

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