

New Jersey's Tax Situation: A Historical Perspective

Historically New Jersey has been battling with rising taxes in various forms for more than thirty years. Overall, New Jersey residents are the 3rd highest taxed citizens in the whole US. (Source: Bureau of Economic Analysis, Department of Commerce)

- New Jersey's income tax has been in effect since its adoption in 1976 in response to a State Supreme Court ruling ordering the state to pay a higher percentage of the cost of K-12 public education. The original tax levied rates of 2% on the first \$20,000 of family income and 2.5% on everything above \$20,000¹.
- The Governor at that time, Brendan Byrne, wrote in a letter to the NJ Supreme Court:
 - “I have today signed into law Assembly bill 1513, imposing a tax on personal income. The enactment of the bill provides sufficient funds for the full implementation of the Public Education Act of 1975, Chapter 212, Laws of 1975. “The bill is tied to several measures that are intended to lower property taxes. Its proponents view the program in its entirety as effecting reform of both the local property tax systems and the State’s taxes on economic enterprise...The single largest component of the program supported by the income tax is the full funding of the public school financing (“T & E”) law, P.L. 1975, c. 212, enacted to conform to the constitutional requirements.”
 - Since then there have been several changes in the rates and income levels at which they take effect.
 - *1983: a new top bracket of 3.5% on income greater than \$50,000 is added.*
 - *1990: 2% on income up to \$20,000; 2.5%, \$20,001 to \$50,000; 3.5%, \$50,001 to \$70,000; 5%, \$70,001 to \$80,000; 6.5% \$80,001 to \$150,000; 7% over \$150,000.*
 - *1994: 1.9% on income up to \$20,000; 2.375%, \$20,001 to \$50,000; 3.325%, \$50,001 to \$70,000; 4.75%, \$70,001 to \$80,000; 6.175%, \$80,001 to \$150,000; 6.65% over \$150,000.*
 - *1995: 1.7% on income up to \$20,000; 2.125%, \$20,001 to \$50,000; 2.975%, \$50,001 to \$70,000; 4.25%, \$70,001 to \$80,000; 6.013%, \$80,001 to \$150,000; 6.58% over \$150,000.*
 - *1996: 1.4% on income up to \$20,000; 1.75%, \$20,001 to \$50,000; 2.45%, \$50,001 to \$70,000; 3.5%, \$70,001 to \$80,000; 5.525%, \$80,001 to \$150,000; 6.37% over \$150,000.*
 - *2004, McGreevey’s “Millionaire’s Tax” increase, raise the top marginal income tax rate to 8.97% from 6.37%, for those earning above \$500,000 (28,000 at the time of enactment).*
 - For single people each rate takes effect at half the income level as for married filers.

¹

Following is a graphic representation of the above:

TOP AND BOTTOM RATES OVER TIME

Years	Minimum Rate	Maximum Rate
July 1, 1976 - December 31, 1982	2 %	2.5 %
January 1, 1983 - December 31, 1990	2 %	3.5 %
January 1, 1991 - December 31, 1993	2 %	7 %
January 1, 1994 - December 31, 1994	1.9 %	6.65 %
January 1, 1995 - December 31, 1995	1.7 %	6.58 %
January 1, 1996 - December 31, 2003	1.4 %	6.37%
January 1, 2004 - Present	1.4 %	8.97%

While the 1976 initiative was intended to cover the entire cost of educating New Jersey's students, the situation quickly escalated into a reversion of increasing other taxes, specifically the local property taxes to cover the annual budget spending increases for local schools (611 school districts statewide) and municipalities (500), counties (21) and fire districts (300+).

The result has been New Jersey being at, or near, the top of the highest taxing states in the nation. And there's no end in sight even though the taxpayer ire has risen in the past decade yielding much rhetoric and reactionary manipulations by 'the talking heads of Trenton' but nothing of real substance has evolved while the average taxpayer has seen double digit annual increases these past five years.