

# NJ Democrats wrangle over which taxes to hike as budget nears

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TRENTON — Gov. Phil Murphy might have been expected to get his first budget through with few if any hurdles when he introduces it next week, but that's not exactly how things are shaping up.

Murphy, a Democrat, will deliver his budget address Tuesday to the Democrat-led Legislature, giving a glimpse of how he plans to achieve his campaign promises: funding pensions, education and other priorities such as free community college.

He has promised to raise taxes on incomes over \$1 million as part of his pledge to finance his priorities, but his proposal is facing headwinds from lawmakers within his own party.

Democratic state Sen. Vin Gopal said New Jersey is already too costly and that raising income taxes could make the problem worse: "A millionaires tax should be an absolute last resort."

Gopal is echoing the sentiments of Senate President Steve Sweeney, who also said he views the millionaires tax as a last resort. Sweeney's new view comes after the federal tax overhaul, which limits state and local tax deductions to \$10,000.

Many residents and especially corporations are expected to see their taxes lowered under the federal GOP tax legislation. But New Jersey lawmakers worry residents could pay more because the state has the country's highest property taxes and about 40 percent of filers itemize their deductions. Lawmakers say they don't want to burden them further at the state level.

That has set up a confrontation with the governor because Murphy has not backed away from his promise to tax millionaires.

Sweeney, instead, recently unveiled a plan that would raise the state's corporate business tax rate on companies with income over \$1 million to 12 percent from 9 percent. That plan could bring in \$657 million, slightly more than the \$600 million Murphy estimates for his tax hike.

Sweeney said he wants to use the proceeds from his tax-hike proposal to fund education.

The differing opinions have so far not stymied any of the Democrats' efforts, but neither are they presenting an entirely united front.

"This isn't me against him," Sweeney said. "This is myself as the Senate president looking for ways to find funding for our schools."

Murphy is a former diplomat to Germany, and if there's any tension between him and Sweeney, it's not surfacing in his public statements.

"We need all the good ideas," Murphy said.

Murphy's budget proposal promises to contrast sharply with that of his predecessor, Republican Chris Christie, who clashed with the Democrat-led Legislature over taxes and pensions for two terms. Christie repeatedly vetoed the millionaires tax.

It also presents a contrast at the federal level with Republicans, who extol tax cuts as drivers of the economy while downplaying the effects on revenue and the budget.

But, experts say, residents shouldn't be surprised that Murphy is likely to call for higher taxes.

"It's not like the public perception was this guy was not going to raise taxes," said Ben Dworkin, director of the Rowan Institute for Public Policy and Citizenship. "He told everybody. Therefore it's not a shock."