

Opinion: Income tax hike a missed chance for NJ fiscal responsibility

The Legislature has finally given Gov. Phil Murphy the so-called millionaire's tax he's sought his whole time in office.

Twice before, legislative leaders have rejected the increase because it might increase the already substantial flight of millionaires from New Jersey to lower taxing states — which is just about all of the others.

For incomes over a million a year, the tax rate will increase from 8.97% to 10.75%. That gives New Jersey the third-highest top tax rate in the country, behind California and Hawaii.

The political parties have hit income taxes on the wealthy tax back and forth like a tennis ball over the years, using it to raise funds and garner support. The Democrats increase the top tax rate, the Republicans hold it steady or even drop it a bit, and then the Democrats boost it some more.

There are good arguments for and against a high top tax rate, which makes it useful politically. Increasing taxes on the highest earners is fair in an era with increasing income inequality. Depending on high income taxes often fails states exactly when they need the revenue, when stocks and the economy sink.

As we've said before, "returning to a millionaires' tax seems natural for a Democratic administration." But now it's being done at a bad time and in a harmful way.

New Jersey already had the worst business tax climate in the nation, so this makes the worst even worse. And since many companies pay the top individual income tax rate, businesses struggling to survive the COVID-19 pandemic will get an extra push toward closing for good.

This major tax increase won't do anything to ease the \$215 billion in debt that state government can barely sustain.

It won't help reform the nation's highest property taxes that are forcing many retirees to leave.

Instead, most of the new income tax revenue will pay for handouts of up to \$500 to residents making up to \$75,000 a year (\$150,000 for couples) right before voters decide whether to reelect Murphy. State Sen. Mike Testa, R-Cape May, Cumberland, Atlantic, said "Murphy is looking to play Santa Claus with taxpayer money as he heads into his reelection next year."

This taxing and giving away will come as state government borrows \$4.5 billion to balance its \$40 billion-plus annual budget.

These large increases in borrowing, taxing and spending before the brunt of the current recession is felt will cause New Jersey residents much pain for many years to come.