

'Open season on N.J.': With Trump backing, House GOP votes to cut your property tax break



Accompanied by Vice President Mike Pence, President Donald Trump leaves the Capitol after meeting with House Republicans. (Alex Wong | Getty Images)

By Jonathan D. Salant – November 16, 2017

WASHINGTON -- With the help of one New Jersey Republican, the U.S. House on Thursday passed sweeping tax reform legislation that would end tax breaks used by many Garden State residents and could harm the health of business and real estate in the state. .

Rep. Tom MacArthur, R-3rd Dist., was the only New Jersey lawmaker to support the legislation, which would eliminate the ability of taxpayers to deduct their state and local income or sales taxes, and cap the property tax deduction at \$10,000.

House Republican leaders, who drafted the bill in secret without any public hearings, also prevented lawmakers from seeking to amend the bill on the floor in order to restore the full state and local tax deduction.

The vote was 227-205, with four of the five New Jersey House Republicans, including Rep. Rodney Frelinghuysen, R-11th Dist., joining all seven House Democrats in voting no. Frelinghuysen was the only lawmaker who didn't announce his position in advance of the vote.

Only 13 Republicans, nine of them from New Jersey and New York, opposed the bill. No Democrats supported it.

For New Jersey, the major focus was the loss of the state and local tax deduction. The state's business community came out against the House bill because of the provision, as did municipal officials and the state's real estate industry. Gov.-elect Phil Murphy called it "a tax sham."

By gutting the state and local tax break, House Republicans will make New Jersey less competitive in the effort to woo businesses, said John Boyd, principal with the Princeton-based Boyd Co., which advises companies on where to locate.

"We call economic development the second war between the states," Boyd said. "It's open season on New Jersey now. States like Florida and Texas and Georgia and the Carolinas will actively be targeting New Jersey businesses and make the property tax issue a big part of that pitch."

The biggest beneficiaries of the state and local tax deduction also are the high-tax states that subsidize those that therefore can keep their taxes lower. New Jersey taxpayers, for example, sent \$31 million more to Washington than they received in services in 2015, second only to New York, according to a report by the State University of New York's Rockefeller Institute of Government.

MacArthur said the overall lower tax rates, the preservation of some of the property tax break, and the elimination of the alternative minimum tax that doesn't allow the state and local tax deduction in its calculations made the bill a net positive for the state.

"I don't know how a New Jersey member of Congress can vote no to reducing people's taxes," MacArthur said last week.

Another Republican, Rep. Leonard Lance, R-7th District, said the tax bill would hurt New Jersey.

"I believe tax reform should benefit all Americans and not pick winner states over loser states. Yet the House-passed proposal would negatively affect too many hard-working constituents and small businesses in my congressional district and many other parts of New Jersey," Lance said. "That's why leading business groups and elected officials across the Garden State oppose this tax reform as currently drafted."

One study said that New Jerseyans actually would pay more, not less. Residents of only four states, New Jersey, New York, California and Maryland, could expect their taxes to rise under the House bill, according to the Institute on Taxation and Economic Policy, a progressive research group in Washington.

That's because more than 41 percent of New Jersey's taxpayers take advantage of the state and local tax break, a greater percentage than all but two other states.

The remaining property tax break would be worthless to most New Jerseyans as they no longer would have enough other deductions to exceed the higher \$24,000 standard deduction, according to New Jersey Policy Perspective, a progressive research group.

For those who could still deduct it, the property tax cap would fall short of the actual amount paid in areas of the state; the average property tax in four counties already exceeds \$10,000.

The action now moves to the Senate, where Republicans there have proposed to eliminate the entire deduction for state and local taxes. As they did with the budget resolution that targeted the state and local tax deduction, House Republican leaders could decide to bring up the unchanged Senate bill should it pass the other chamber.

The budget resolution prevented a Senate filibuster and allowed Republicans to pass tax cuts without working with Democratic lawmakers.

The Tax Foundation, a research group that believes that tax cuts spur economic growth, predicted that New Jersey would gain 27,481 jobs and the average middle-class family there would earn \$3,013 more over 10 years.

The foundation's board includes Douglas Holtz-Eakin, president of the American Action Forum. The forum's affiliated American Action Network has spent millions of dollars in ads urging lawmakers to pass the tax bill.

Before the vote, President Donald Trump delivered a pep talk to members of the House GOP conference. And later in the afternoon, state Senate Republican Leader Tom Kean Jr., R-Union; and state Sens. Michael Doherty, R-Warren, who chaired Trump's New Jersey campaign; and Samuel Thompson (R-Middlesex) were to discuss taxes the White House.