

June 26, 2015

ASSEMBLY BILL NO. 4602

To the General Assembly:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Assembly Bill No. 4602 with my recommendations for reconsideration.

This bill would temporarily increase the tax rate imposed on taxable income exceeding \$1,000,000 from the current rate of 8.97% to a new rate of 10.75% for tax years 2015, 2016, 2017, and 2018. The bill also would increase the State earned income tax credit ("EITC") on a permanent basis, beginning in tax year 2015, from 20 percent to 25 percent of the federal earned income tax credit.

For the fifth time in six years, the Legislature has passed a massive income tax increase and included the proposed revenue from this misguided initiative as an essential component of its budget bill. Because the foundation of the Legislature's proposal is unsound, I must again object.

As I have said many times before, I strongly believe that punitively raising taxes on our already overtaxed residents and small business owners is not the answer to the State's short- or long-term fiscal challenges. The tax increase proposed in this bill would accomplish nothing more than to repeat the failed, irresponsible, and unsustainable policies that were commonplace in Trenton for years before my administration. Simply stated, I do not accept the premise that we can tax our way to prosperity in this manner. Nor do I accept the notion that a four-year income tax increase is an appropriate tool to address legacy pension and health benefit obligations that reflect decades of underfunding, the irresponsible adoption of unfunded benefit enhancements, and investment underperformance during the first decade of the 2000s.

Instead, we should be lowering taxes for all New Jerseyans to more appropriately and responsibly stimulate New Jersey's economy

and improve our already uncompetitive tax climate. Increasing taxes on the businesses and highly productive taxpayers we need in New Jersey to create jobs and grow our economy will only serve to drive them out in search of states with lower tax burdens.

With regard to the EITC, I have previously expressed my strong support for lowering the tax burden on all beleaguered New Jersey taxpayers, most especially the working poor. Unfortunately, the legislative majority's addiction to taxation and aversion to reform seem to foreclose entirely the possibility of broad-based tax cuts during my administration. I will not let them stand in the way of providing some tax reduction for some of our citizens. I have always stated that I would reduce taxes for the working poor as soon as the budget allowed. Now is that time. Therefore, I am recommending that this bill be amended to eliminate the proposed income tax hike while maintaining the increase in the EITC from 20 to 30 percent of the federal credit.

It is evident that there exists a fundamental disagreement between the Legislature's strongly held opinion that constantly raising taxes is best for the State and my conviction that incentivizing already overtaxed individuals and businesses to flee our State is foolish and counterproductive.

Accordingly, I herewith return Assembly Bill No. 4602 and recommend that it be amended as follows:

<u>Page 2, Title, Lines 1-2:</u>	Delete "raising the gross income tax rate on taxable income exceeding \$1,000,000 temporarily and restoring" and insert "concerning"
<u>Page 2, Title, Line 3:</u>	Delete "N.J.S.54A:2-1 and"
<u>Page 2, Title, Line 4:</u>	Delete "and supplementing Title 54A of the New Jersey Statutes"
<u>Page 2, Section 1, Lines 9-44:</u>	Delete in their entirety
<u>Page 3, Section 1, Lines 1-48:</u>	Delete in their entirety
<u>Page 4, Section 1, Lines 1-48:</u>	Delete in their entirety
<u>Page 5, Section 1, Lines 1-47:</u>	Delete in their entirety

Page 6, Section 1, Lines 1-48: Delete in their entirety
Page 7, Section 1, Lines 1-48: Delete in their entirety
Page 8, Section 1, Lines 1-48: Delete in their entirety
Page 9, Section 1, Lines 1-48: Delete in their entirety
Page 10, Section 1, Lines 1-15: Delete in their entirety
Page 10, Section 2, Lines 17-39: Delete in their entirety
Page 10, Section 3, Line 41: Delete "3." and insert "1."
Page 11, Section 3, Line 25: Delete "25%" and insert "30%"
Page 12, Section 4, Line 11: Delete "4." and insert "2."

Respectfully,

/s/ Chris Christie

Governor

[seal]

Attest:

/s/ Christopher S. Porrino

Chief Counsel to the Governor