

PROSPECTS for a state income tax cut — once considered a political imperative by Democrats and Republicans alike — have dimmed over the summer and enactment before the end of this year appears problematic at best.



With revenues consistently falling short of projections, coupled with a spate of dismal economic news, concerns have intensified over the ability of the state budget to absorb the revenue loss resulting from a tax cut.

When Democrats enacted the budget in June, they set aside \$183 million to cover the first step in the proposed three-year phase-in of a tax reduction, but conditioned the cut on revenues meeting administration projections by the end of 2012.

Income has fallen short for several consecutive months and its unlikely economic activity will experience an upsurge in the last

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quarter sufficient to meet what appear to be overly optimistic projections.

### Sharp differences

There have been sharp differences between the administration and the Legislature over the amount of the shortfall, but both sides agree there is one.

Governor Christie has been steadfast in support of his 10 percent tax rate reduction, arguing that it remains affordable and necessary to attract job-creating investment while bashing legislative Democrats for denying relief to New Jersey taxpayers.

Democrats argue it is wiser and fiscally prudent to delay action to more accurately determine the affordability of a cut, particularly in light of the revenue shortfall and the rise in the state's unemployment rate to 9.8 percent, the highest in 35 years.

While the Democrats' wait-and-see message had resonance, their more compelling argument is that it is the property tax, rather than the income tax, that is inflicting greater harm on middle class New Jerseyans and is to blame for stifling economic development and business investment.

Christie's insistence on a cut in income tax rates is misguided, Democrats contend, and with an annual savings of \$80 for a family with a \$50,000 income, its impact is negligible, hardly enough to cover two fill-ups at the local service station.