



Memo: N.J. faces tax shortfall that contrasts with Gov. Christie's 'Jersey Comeback'

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By **Jarrett Renshaw/Statehouse Bureau**

TRENTON — Preliminary figures show New Jersey's business and income tax collections for the crucial month of April have fallen short of expectations, according to a recent memorandum prepared by the nonpartisan Office of Legislative Services.

The anticipated April revenue shortfall contrasts with **Gov. Chris Christie's often-repeated narrative** of a "Jersey Comeback" and could hamper efforts by him and Democratic lawmakers to deliver on competing tax cut proposals that rely on a revenue surge.

Connecticut, Massachusetts and California — states with similar tax policies as New Jersey — have already reported disappointing revenue collections in April, disrupting plans by their governors to deliver on key agenda items.

In a May 3 memo to lawmakers obtained by The Star-Ledger, OLS budget analyst David Rosen said "it appears that both the gross income tax and the corporation business tax under performed OLS's expectations for the month."

April is the most important month of the budget cycle because that's when the state receives most of its income tax revenue, especially from its wealthy residents. Rosen, who declined to comment, did not provide lawmakers with the specific size of the shortfall, advising them that official figures will be released later this month.

In March, Rosen and the Christie administration were already \$537 million apart on revenue projections through fiscal year 2013, with the OLS anticipating a



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Gov. Chris Christie speaks during a town hall meeting at the National Guard Armory in Freehold today.

slightly lower revenue rebound. At the time, Christie blasted OLS for its more modest projections, saying "they're background noise to the New Jersey Comeback."

Christie spokesman Michael Drewniak said the administration is still reviewing the April figures.

"With two months left of revenue collections and potential revisions before the end of the fiscal year, we need to look at the total revenue picture before drawing broad conclusions," Drewniak said.

In his \$32.1 billion budget for the fiscal year that begins July 1, Christie expects revenue to grow by a 7.4 percent, more than any other state and more than double the national average, according to a Star-Ledger analysis conducted in March. When \$530.8 million from tax cuts are factored in, Christie is actually expecting a more robust 9.2 percent increase in revenue.

If revenues continue to lag behind projections this year, it must be made up next year unless the administration scales back expectations.

Christie wants to use the additional revenue to begin phasing in his proposed 10 percent across-the-board cut in income taxes, which would cost the state about \$180 million in lost revenue next year and more than \$1 billion when fully phased in.

At a town hall meeting today in Freehold, Christie once again sold his tax plan.

"Now the Democrats in Trenton are not arguing with me anymore about whether they should cut your taxes," he said. "They just argue about how we should cut your taxes."

Senate President Stephen Sweeney (D-Gloucester) and other Senate Democrats want to give residents a tax credit equal to 10 percent of their property taxes and would cost about the same as the governor's plan. The credit would be applied against the income taxes of residents who make less than \$250,000.

A similar plan in the Assembly would give a residents a 20 percent credit and relies on establishment of a millionaire's tax.

Video: Gov. Chris Christie lays down the rules for his town hall questioners

Before taking questions at his town hall meetings, New Jersey Gov. Chris Christie spells out for the audience his four rules for questioners, including a warning to anyone who wants to "show off" by challenging or berating him or that "we are all from New Jersey." Video shot in Freehold, New Jersey May 8, 2012.

But those competing plans — which most observers expected to be the centerpiece of budget deliberations — may be delayed if money becomes an issue.

"If these numbers hold, the tax cuts are one of the first places you look at to cut," said

David Rousseau, a state treasurer under former Gov. Jon Corzine and current analyst with the left-leaning New Jersey Policy Perspective. "But politically, can this governor back off something that he's been selling at every town hall across the state?"

Nationally, state revenue has grown eight consecutive quarters and Baye Larsen, a Moody's analyst, said she expects that trend to continue, but said the Northeast states will lag the nation. She said other parts of the country are home to faster growing industries and more population growth.

Economist Joel Naroff said the early disappointing April figures of other states should get people's attention.

"It's a warning sign, there's no question," said Naroff. "But New Jersey has some unique variables like Wall Street, but when you are projecting aggressive numbers, you got to be careful."

Star-Ledger staff writer MaryAnn Spoto contributed to this report.

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