

GOLDEN: Uncertain fate of millionaire's tax could impede Murphy

Carl Golden Published 11:38 a.m. ET Dec. 12, 2017



(Photo: AP)

As a candidate, Gov.-elect Phil Murphy's signature campaign promise — increasing the income tax on wealthy New Jerseyans to raise \$600 million and dedicate it to aid to public education — drew the enthusiastic, unqualified support of Senate President Steve Sweeney, D-Gloucester, who pledged to make the increase the first order of legislative business in 2018.

With little more than a month before Murphy assumes office, Sweeney has given his enthusiastic, unqualified support to....well, maybe.

Insisting he continues to support the so-called millionaire's tax, Sweeney said the idea may need to be reconsidered in light of the tax reform legislation currently making its way through Congress.

Sweeney said he's concerned that eliminating federal deductions for state and local taxes would impact high income earners in New Jersey and make it more difficult for the state to increase its rates.

While not commenting specifically, Sweeney's concern seems to be that those with incomes of \$1 million and above would decide to flee the state taking their business interests, incomes and tax payments to more tax friendly climates.

It's the same argument made by Gov. Christie in his five separate vetoes of the millionaire's tax, an argument ridiculed by Democrats who contended there was no empirical evidence to support the governor's contention.

Should the tax reform legislation win congressional approval, Sweeney said he will appoint a task force to determine and assess the impact on New Jersey and decide whether the Legislature should pursue enactment of the millionaire's tax.

While there doesn't appear to be a significant break between Sweeney and Murphy over the issue, the senator's call for a prudent slowdown in the drive for the tax increase poses a dilemma for the incoming governor. Murphy was clear during his campaign that the road to property tax relief ran through Trenton and the directional sign read "Millionaire's Tax." The road may have suffered a washout in the cold water flood of political reality.

Murphy certainly understands the stakes involved if he's unable to deliver on his promise. He will come into office facing enormous fiscal challenges from funding education to rescuing the financially troubled public pension system.

Moreover, the ambitious agenda he laid out during his campaign, though lacking in detail, would require additional spending on an unprecedented scale.

His weekend letter to Gov. Chris Christie requesting a halt to further discretionary spending to avoid a serious budget shortfall at the end of the fiscal year in July was an effort — a fairly clumsy one — to lay a foundation for blaming Christie for creating a precarious budget situation which could derail the Murphy agenda.

An incoming administration claiming it inherited a fiscal nightmare from the outgoing one is standard fare and it should come as no surprise that Murphy's embraced it.

Enacting the millionaire's tax within weeks of taking office would get his administration off to a glittering start, establishing Murphy as eminently prepared to grapple with the state's most pressing problems and achieving tangible solutions.

Panic hasn't set in yet, but there is a sense of unease that hitting the ground running is in jeopardy, that hitting the ground stumbling is a very real and unwelcome prospect.

The study proposed by Sweeney will buy some time certainly, but taxpayer patience is in short supply and any argument that it's all President Trump's fault won't mollify homeowners who believe relief from rising property taxes is long overdue.

Murphy has recognized the potential exists for derailing his tax increase promise and, like all politicians in similar situations, has moved to position himself ahead of it. He has spoken out forcefully against the federal legislation, for instance, and joined with New York Gov. Andrew Cuomo and New York City Mayor Bill de Blasio pledging to bring legal action to block the elimination or restriction of the state and local tax deductions.

The threat was little more than a photo-op to beat up on President Trump. The possibility of a successful court challenge is non-existent. Even if one was mounted, it would likely take years and millions of taxpayer dollars to carry it out.

He will have Sweeney's help and support for certain, but pulling the Democratic majorities in the Legislature along with him and accepting a tax increase atop a federal hit is problematic.

"Campaigning is easy; governing is hard," it's been said. Murphy has discovered the immutable truth in that.

Carl Golden is a senior contributing analyst with the William J. Hughes Center for Public Policy at Stockton University.

Read or Share this story: <http://on.app.com/2Bh6Knl>