



Policy Analyst: F Grade 'Means New Jersey Is on The Right Track'

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(The Center Square) – An “F” grade for New Jersey’s fiscal policy could be a good thing depending on your perspective, policy analysts said.

The CATO Institute, a public policy think tank that promotes Libertarian ideas, gave New Jersey Gov. Phil Murphy an “F.” The state put a 2.5% surtax on corporations with incomes above \$1 million and approved “millionaire’s taxes.” The CATO Institute said in its Fiscal Policy Report Card on America’s Governors 2022 that the top 1% already pay 36% of the state’s income taxes. The state also drains hundreds of millions of dollars from businesses. And Murphy carved out narrow breaks for favored groups, including film and digital media tax credits up to \$30 million.

CATO acknowledged \$500 tax rebates to lower-income households, a new child tax credit and a sales tax holiday, the report card said.

“The economic well-being of New Jersey residents rests on the funding of our communities, not giving a free ride to wealthy corporations and families and offering bare-bones services,” Sheila Reynertson, a New Jersey Policy Perspective senior policy analyst, told The Center Square. “Getting an F from the CATO Institute means New Jersey is on the right track: Exposing the lopsided tax code that benefits only the powerful few and rewriting the rules so that everyone can earn a good living, we can resource our schools and we can provide families with care they need to get and stay well.”

CATO's perspective on government is that there should be less of it, less spending and less in taxes, Richard Auxier of the Tax Policy Center told The Center Square.

The takeaway from CATO's grade should be that New Jersey's fiscal policies don't match its ideologies, Auxier said.

"It's very easy to slam government and state governments as bad," he said.

Mississippi Gov. Tate Reeves got a better score than Murphy. Reeves kept spending low and cut taxes, but Jackson, the state capital and largest city, has a water crisis that hasn't been fixed, Auxier said.

CATO didn't seem to credit New Jersey for property tax relief and a child tax credit for low- and middle-income teachers and families, he said.

The Garden State Initiative saw room for improvement in Murphy's fiscal policy that matched the CATO Institute's evaluation.

Dozens of other states took advantage of the COVID-19 recovery and federal aid to cut taxes, GSI's Williams J. Smith told The Center Square. But New Jersey substantially increased government taxes on top of income and business tax increases in Murphy's first term as governor, Smith said.

"New Jersey stands alone as even high-tax states like New York have initiated tax cuts in the last year," he said.

CATO's ranking matches assessments from organizations like CNBC and the Tax Foundation that put New Jersey at the bottom for competitiveness and affordability and at the top for high taxes, Smith said.

"In just five years, state spending has increased by 46%, an unsustainable pace that will lead to a fiscal cliff in the looming economic slowdown," he said.

The unemployment rate ranked higher than states rated with an A, he said.

Leadership that prioritizes fiscal responsibility and economic growth can change New Jersey's course, Smith said. But the tax and spending hikes stifle economic growth.

"New Jersey has innumerable natural assets that should make our state an economic engine for the region," he said. "Instead, we're burdened under high taxes and massive public debt."

Tax code reform and public employee benefits modernization could bring change, he said. Inspiration can be seen in Pennsylvania where reform was enacted to grow the economy.

Auxier said if he was a resident, he'd want to know about more than the tax burden but also about the services, such as public schools and the higher education system. Other things the Tax Policy Center tracks are a balanced budget, can the state borrow money and does it have a good bond rating.