

## New Jersey: Lawmakers considering tax breaks in exchange for a gas tax hike



David M. Kall | Sunday, May 22, 2016

In May, Sen. Shirley Turner proposed [legislation](#) that would increase the Garden State's Earned Income Tax Credit (EITC) to 40 percent of the federal benefit amount, beginning in tax year 2016. According to a May 10 [press release](#), Sen. Turner wants to help those who "work full time but do not earn a living wage... It's no secret that the working poor and middle income families have been losing ground economically over the last 15 years... That's why any discussion of 'tax fairness' has to begin with a commitment to raise the Earned Income Tax Credit for the hundreds of thousands of people who struggle to put food on the table, pay their utility bills, support their children and maintain a home for their families even with full-time jobs."

The press release cited studies predicting that the plan would put an additional \$225 into the pockets of 520,000 families annually, and would generate \$180 million in increased economic activity with a cost of \$120 million.

Several news outlets, such as [NJSpotlight](#), have revealed that lawmakers are discussing the EITC increase as part of a plan to manage the Transportation Trust Fund (TTF), which has been operating in the red for years and has reached its statutory borrowing limit. The TTF is financed by the revenue equivalent of 10.5 cents on the motor fuels tax, the petroleum products gross receipts tax, a portion of the general sales tax, contributions from the New Jersey Turnpike and South Jersey Transportation Authorities, and historically, although not since 2001, "good driver" registration surcharges and heavy truck fees.

## New Jersey Lawmakers considering tax breaks in exc

---

NJSpotlight noted that the ongoing discussion, designed to improve the state's overall tax fairness, also includes the possibility of eliminating the estate tax, increasing the amount of income from pensions, annuities, 401(k) plans, and other sources of retirement income that can be exempted from the state income tax, and creating an income tax deduction for charitable contributions.

All of this horse-trading is necessary because in its depleted state, the TTF is not in a position to improve the condition of New Jersey's roads and bridges. In its 2013 Report Card, [InfrastructureReportCard.org](http://InfrastructureReportCard.org) pointed out that 35 percent, or 6,822 of the state's "major" public roads are in poor condition. This costs motorists an aggregate total of \$3.6 billion annually, or \$605 per motorist, to drive on roads in need of repair.

Historically, Gov. Chris Christie has opposed any tax increases, including one to raise the 14.5 cents-a-gallon gas tax, the second lowest rate in the nation. However, more recently he is [on record](#) as being willing to consider raising it, in combination with tax cuts, in the name of tax fairness. Indeed, a gas tax increase is viewed as one of the last viable options for addressing the TTF funding problem.

As for the above mentioned areas in which tax cuts might be feasible, Gov. Christie has stated that he supports the elimination of the estate tax, over two years, and though he characterized the charitable deductions idea as "a good idea," it is not one that he thinks should be linked to transportation financing. He dismissed the possibility of increasing tax exemptions for retirement income. This is unfortunate, because while the gas tax is projected to raise about \$900 million for the TTF this year, the fund's debt service payments amount to \$1.3 billion.

---



**David M. Kall**

[Team member bio](#)