

PHILIP D. MURPHY
Governor

June 29, 2018

Dear Senate President Sweeney, Speaker Coughlin, Senators, and Assembly Members:

On Sunday, July 1<sup>st</sup>, New Jersey will have reached its constitutionally set deadline for a new state budget.

Over the past three months – and accelerated over the past week – my team and I have been engaged in substantive discussions with legislative leadership on a path to achieving the sustainable revenues necessary to ensure that we can not only pay for the priorities we have laid out together this upcoming year, but for years to follow. We are close, and I ask you all to join me and fully commit to getting this budget done in time to avert a costly government shutdown. The people of New Jersey deserve nothing less.

I have been more than willing to compromise to get to a deal that makes sense not just for today, but tomorrow. I have compromised on school funding, on restoring the Homestead Rebate, on a reasonable CBT that won't make us an outlier state, on accepting audit figures, and on a higher return on the sales tax from internet sales.

In return, I asked the Legislature to accept instituting an increase in the income tax rate to 10.75% on individuals with net taxable income in excess of \$1 million – the same proposal which the Legislature passed five times in the past eight years. And, I showed flexibility on a higher income threshold.

However, the leadership's counteroffer of a 9.95% tax rate only on incomes of \$5 million and above would get us nowhere near where we need to be to protect core budget investments. It would raise only \$160 million annually, and impact only 1,760 resident tax filers – exempting roughly 21,000 millionaires. Even I would be exempted at this level.

As the July 1<sup>st</sup> budget deadline rapidly approaches, I would ask the Legislature to consider the following compromise measures which were discussed at length with leadership:

- Corporate Business Tax: A proposed four-year Corporate Business Tax (CBT) average surcharge of 2%. This would generate \$320 million in annual revenue.
- Millionaires Tax: I have offered an income threshold of \$1.75 million at a tax rate of 10.75%. This would raise \$550 million annually. <u>I renew this offer.</u>

• Sales Tax: Contingent upon getting the right balance between the CBT and millionaires tax, and continuing our shared priorities of asking the wealthiest residents and corporations to pay their fair share, <u>I am prepared to take the restoration of the sales tax</u> to 7% off the table.

Time is of the essence. If we cannot have an agreement, it is the people of New Jersey who ultimately will suffer. Our shared priorities, and our credibility, would be at risk. Everything we would hope to accomplish for our state and our people hangs in the balance.

This is the time for reasonable heads to prevail. I ask you to join with me in forging an agreement before the end of June 30<sup>th</sup> so we can deliver a responsible budget that invests in New Jersey's values.

Sincerely,

Philip D. Murphy Governor