

# Burlington County Times

## Christie announces NJ-Pa tax agreement will remain in place

By David Levinsky, staff writer- Burlington County Times- November 22, 2016

**TRENTON** — Gov. Chris Christie has opted to keep New Jersey's reciprocal income tax agreement with Pennsylvania after all.

The Republican governor announced Tuesday morning that he would not break the longstanding deal with the commonwealth because of health benefit reforms approved by the state Legislature. His decision will spare thousands of New Jersey and Pennsylvania residents who commute to work in the neighboring state from having to file income tax returns in the state where they work.

Many residents would have also had to pay much higher taxes.

Christie said in September he was pulling New Jersey out of the 1977 agreement in order to help close a \$250 million budget hole created by the Legislature when it sent him the current year's budget with assumed savings from changes to public employee benefits, but without language his administration requested to give it the authority to make the changes without labor's OK.

Christie reversed course Tuesday after lawmakers passed legislation to reform the state's prescription drug benefits system. The legislation, which was unanimously approved by both chambers and signed into law on Monday, is expected to save the state about \$200 million a year.

"By addressing a potential \$250 million budget deficit from growing health care costs, we are now able to save an income-tax reciprocity agreement with Pennsylvania that protects tens of thousands of hard-working New Jerseyans from having to pay more income taxes," Christie said in a statement.

Christie's move reverses notice he had given to Pennsylvania of his intention to end the tax pact with the commonwealth on Jan. 1.

The agreement prevents Pennsylvania residents who work in New Jersey from paying income taxes to the Garden State and vice versa. Ending it would have forced commuters to pay income taxes to both states, with a credit against what they owe to their home state based on what they paid to the state where they work.

Pennsylvania Gov. Tom Wolf is "pleased that New Jersey reversed the decision," said Mark Nicastre, a governor spokesman.

Ending the deal was expected to net New Jersey an additional \$180 million in tax revenues, largely from Pennsylvanians who earn high salaries in New Jersey.

The additional revenues were expected because of differences between its income tax structure and Pennsylvania's.

New Jersey's progressive tax schedule has rates ranging from 0.014 for filers earning \$20,000 or below, up to 8.97 percent for those earning above \$500,000.

Pennsylvania has a flat tax rate of 3.07 percent for all incomes.

Because of the disparity, high-earning Pennsylvania residents would have had to pay substantially higher taxes. But some New Jersey residents would also pay more since their New Jersey tax rate is below 3.07.

Senate President Stephen Sweeney, D-3rd of West Deptford, put the number of New Jersey residents who would have been forced to pay more at over 100,000, mostly from

South Jersey counties like Burlington, Camden and Gloucester. Most would have faced tax hikes of close to \$1,000, he said.

In addition, many South Jersey businesses were alarmed by the change, since many of their employees reside in Pennsylvania.

"This is an enormous enormous win for the people who live in New Jersey," Sweeney said Tuesday during a news conference in West Deptford with several other South Jersey lawmakers. "Right before Thanksgiving, this is something really to give thanks for."

"I don't know a single family that can afford to lose \$2,000 out of their pockets this time of the year or anytime of year, and I certainly don't know a single family in South Jersey that deserves it," Assembly Majority Leader Lou Greenwald, D-6th of Voorhees, said.

Both Democratic leaders cited the impact ending the pact would have on existing businesses and efforts to attract new businesses and jobs to the region through legislation like the Economic Opportunity Act of 2013 and the recently approved Transportation Trust Fund renewal.

"All that hard work was in jeopardy," Greenwald said.

Subaru of America, which began construction of its new headquarters and training center in Camden last December, had indicated that it was reconsidering its plans after Christie announced he was pulling the state out of the tax pact.

But on Tuesday, Rep. Donald Norcross, D-1st of Camden, said he spoke to the company's CEO and was assured that the company was committed to starting construction again.

"This is what can be done with a cooperative agreement and people work across those imaginary lines of blue and red, and come together for what our job is — to work for the residents of New Jersey," Norcross said.

Deb DiLorenzo, CEO and president of the Chamber of Commerce of Southern New Jersey, also attended the news conference and spoke on behalf of the region's business community. She applauded the governor and his staff and the state's lawmakers for fighting to keep the pact.

"They said they would find a way to do it and they did," DiLorenzo said. "It's public service at its best."

The changes in the state's prescription benefits program is centered on hiring a benefits manager who would be charged with finding savings through an electronic "reverse auction" or price comparison and audit of the various prescription drugs purchased by state and local government employees.

Many large corporations have similar programs and typically save between 12 to 15 percent on their drug costs, Sweeney said.

New Jersey, which currently spends about \$2 billion a year annually on drug benefits, would be the first state in the nation to implement the program.

Sweeney said public employee unions supported the change, which was key. He also said the

"By putting it on an auction, you get a cheaper price. It's something we couldn't pass up," he said.

Sweeney also said lawmakers would research writing the tax pact into law in order to make it more difficult to end.

"I have to find out if it's even legal to do that," he said. "I would love to codify it if we can."