

**ASSEMBLY BILL NO. 3485**

To the General Assembly:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Assembly Bill No. 3485 without my approval. This bill would temporarily increase the tax rate imposed on taxable income exceeding \$1,000,000 from the current rate of 8.97% to a new rate of 10.75% for tax years 2014, 2015, and 2016. The bill also would increase the State earned income tax credit ("EITC") on a permanent basis, beginning in tax year 2014, from 20 percent to 25 percent of the federal earned income tax credit.

For the fourth time in five years, the Legislature has passed an income tax hike. The Legislature has included the proposed revenue from this misguided initiative as an essential component of its Fiscal Year 2015 budget bill. Because the foundation of the Legislature's proposal is unsound, I must object.

As I have said before, I strongly believe that punitively raising taxes on our already overtaxed residents and small business owners is not the answer to the State's short- and long-term fiscal challenges. This bill would accomplish nothing more than to repeat the failed, irresponsible, and unsustainable policies that were commonplace in Trenton for years before my administration. Simply stated, I do not accept the premise that we can tax our way to prosperity in this manner. Nor do I accept the notion that a three-year income tax increase is an appropriate tool to resolve a fundamental structural budget imbalance or to address legacy pension and health benefit obligations that reflect decades of underfunding, the irresponsible adoption of unfunded benefit enhancements, and investment underperformance during the first decade of the 2000s.

Instead, we should be lowering taxes for all New Jerseyans to more appropriately and responsibly stimulate New Jersey's economy

and improve our already uncompetitive tax climate. Increasing taxes on the businesses and highly productive taxpayers we need here in New Jersey to create jobs and grow our economy will only serve to drive them out in search of states with lower tax burdens.

With regard to the EITC, I have previously expressed my support for the concept of raising the amount of this credit, but only as part of a broader initiative to lower the tax burden on all beleaguered New Jersey taxpayers. Only 25 states have an EITC credit at all, and of those states only seven states offer a credit that is higher than 20% of the federal EITC, as is currently the law in New Jersey. Unfortunately, the real need to make difficult choices impacts good and worthwhile programs such as the EITC.

As Governor, I take very seriously my constitutional and statutory responsibilities concerning the State's finances, including: making my annual budget recommendations in February as required by N.J.S.A. 42:27B-20; exercising my line-item, conditional, and absolute veto powers over taxing and spending decisions as conferred in Article V, Section 1, Paragraphs 14 and 15 of the New Jersey Constitution; overseeing, through the State Treasurer and the Office of Management and Budget, the fiscal affairs of the State throughout each fiscal year to maintain a balanced budget and ensure expenditures do not exceed revenues; and certifying that total revenues, both on hand and anticipated, will be available to meet appropriations as required by Article VIII, Section 2, Paragraph 2 of the State Constitution. Much deliberation and careful study precede the presentation of my budget recommendations to the Legislature each February.

All of my actions in exercising the fiscal powers and responsibilities conferred upon me by the Constitution and laws of

the State are made because I sincerely believe they are in the best interests of the State of New Jersey. I exercise these powers solely in furtherance of the significant responsibilities entrusted to me as Governor of the State of New Jersey, cognizant and respectful of the real effects of my decisions on each and every resident of the State. I likewise respect the broad authority and responsibility of the Legislature to introduce and pass an appropriations law each year reflecting its spending priorities and its absolute ability under the State Constitution to override any or all of the vetoes I have signed today.

It is evident that there exists a fundamental disagreement between the Legislature's strongly held opinion that constantly raising taxes is best for the State and my conviction that incentivizing already overtaxed individuals and businesses to flee our State is foolish and counterproductive. The framers of the New Jersey Constitution wisely established a clear and orderly political process for resolving these sorts of policy disputes concerning the State's finances.

Accordingly, I herewith return Assembly Bill No. 3485 without my approval.

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Respectfully,  
/s/ Chris Christie  
Governor

Attest:

/s/ Christopher S. Porrino  
Chief Counsel to the Governor