November 13, 2017

The New Jersey School Boards Association believes that, as now written, H.R. 1, “The Tax Cuts and Jobs Act” (TCJA), would present substantial harm to educational programs for our public school students, to New Jersey’s communities, and to its taxpayers. We urge you not to support the legislation.

Of particular concern are provisions limiting deducibility of state and local taxes, eliminating advance refunding of construction bonds (a process that provides savings to school districts and taxpayers), and encouraging the diversion of limited federal education funds from public to non-public schools.

State and Local Tax Deductibility – A recent analysis of H.R. 1 shows the negative impact of the plan’s proposed limit on the local property tax deduction and its elimination of the state income and sales tax deduction.

The analysis, conducted by a coalition of national education and government organizations, focused on 39 primarily suburban Congressional districts, including five in New Jersey (2nd, 3rd, 4th, 7th and 11th). It found that the plan would result in a growing tax burden for households in the New Jersey districts.

• In the first year of implementation, the average tax increase in the five New Jersey Congressional districts would range from $870 to $1,333 for married couples with two children filing joint returns.
• The highest tax increases in the first year would range from $2,065 to $5,846.
• In 2023, when the “family flexibility” provision—a $300 per filer and spouse credit—expires, the highest tax increase would range from $2,665 per household to $6,446.

According to the Government Finance Officers Association, the consequences of eliminating the state and local tax deduction would affect all aspects of American society, but would be felt most harshly by public school districts which must rely on local and state tax revenue for support. This issue is especially critical in New Jersey where the federal government provides only 4.2 percent of the funding for public education, making the state’s public schools the second most dependent in the nation on state and local revenue, according to data from the National Education Association. In addition, a Rockefeller Institute report shows that New Jerseyans pay $31 billion more in federal income taxes than the state receives back in federal services.
H.R. 1 will only worsen the financial situation for our state’s public schools and its citizens.

**Bond Refinancing** – H.R. 1 would eliminate the advance refunding of bonds, which allows school districts and other governmental entities to refinance at lower interest and lower cost to taxpayers. Information provided by the National School Boards Association shows that 271 New Jersey school districts and other governmental entities used this process between 2012 and 2016.

**Tax Credits/Vouchers** – The legislation would also expand tax-advantaged education savings accounts to allow contributions for non-public school tuition totaling up to $10,000 annually. The New Jersey School Boards Association supports school choice within the public sector, including charter schools, inter-district choice and magnet schools. However, we oppose the diversion of public funds for private education. According to the National School Boards Association, the proposed expansion would “drain resources from our public school districts and thereby impact innovative education programs that are helping to raise student achievement.”

If you would like further information regarding our concerns, please contact Michael Vrancik, NJSBA director of governmental relations, at mvrancik@njsba.org or (609) 278-5213.

Sincerely,

[Signature]

Dr. Lawrence S. Feinsod
Executive Director