CENTER ON BUDGET AND POLICY PRIORITIES

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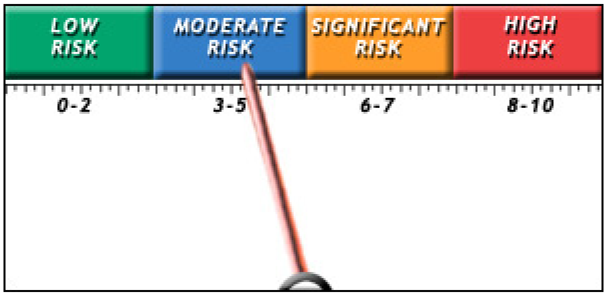
NEW JERSEY

Most states have structural weaknesses in their tax systems that put them at risk of experiencing gaps between revenues and necessary expenditures in coming years. The Center evaluated each state's likelihood of facing a structural deficit by determining how many of ten "risk factors" applied to each state. New Jersey is rated as having a moderate risk of a structural deficit based on its score of four on the risk scale for structural deficits.



- In New Jersey, corporate income taxes as a share of total taxes declined by 6.5 percentage points from 1989-2002, surpassing the US average decline of 4.1 percentage points.

- New Jersey provides preferences to seniors in its property tax, regardless of their income level.

- During 1994-2000, New Jersey reduced personal and corporate income taxes. This is problematic since income taxes provide stronger growth over the long term than other types of taxes.

- New Jersey has a statutory spending limit that restricts expenditures to the growth rate in personal income and a limit on the growth of local property tax revenue.

- Lastly, although this paper did not categorize New Jersey as having unusually high spending needs, it does face some spending pressures from: the number of students with special needs and the number of high school graduates potentially entering college.