



A Professional Association of Government Finance Officers

July 8, 2009

P.O. Box 2018
Clifton, N.J. 07015-2018

Dear Finance Officers:

The Board of Directors has looked at the economic situation confronting all the New Jersey Municipalities. One of our major concerns deals with the issue of Personal Property Tax.

Verizon New Jersey, Embarq and Warwick Telephone Company are the three carriers required to pay Personal Property Tax based upon their infrastructure deployed within each municipality. It is based upon the telephone exchange service provided. Each year they are required to submit what is referred to as a PT-10 form to the Assessor which is used as part of the tax levy for each municipality.

This source of revenue is very important to local governments. Over the course of the past few years it has steadily declined from \$96 million in aggregate in 1997 to approximately \$44 million in 2007. This past year Verizon informed five municipalities that they were no longer eligible to receive New Jersey Personal Property Tax because their access lines dropped below the 51% level of dial tone lines. In response Verizon stopped paying the Personal Property Tax to five municipalities. Verizon has provided information suggesting that this next year there will be 50 additional municipalities which will lose Personal Property Tax. By 2010 Verizon estimates there will another 150 municipalities.

This will be a significant revenue loss to our member towns. The potential loss is the reason the Board of Directors have authorized me to send this letter. We, as an organization, plan to take action to protect this vital source of tax revenue. Many of you have already expressed to me personally the crisis your communities are facing. We can not sit idly by while we have a potential \$47 million shortfall in the next year or two.

The Board will be looking for your support as we take the necessary steps to determine the validity of the loss and take measure to prevent further erosion from our tax base. Those communities informed last year of the loss of revenue have an appeal pending. We are going to support their efforts. We are also going to conduct a Workshop to deal with this critical issue. The date, time and place are in the works. We will notify you as soon as we have that information.

In the meantime I am asking you to look at your current tax levy and collect a five year history of information dealing with the PT-10 Form submitted to your Assessor resulting in the amount of tax levy through your billing. You will see the decline which is occurring in your particular community.

At this point it is anticipated that we will ask willing communities to participate in a small way to help finance the research necessary to correct and address the technical issues associated with this revenue loss. It will have personal impact on your community. Please collect this information, share it with your Mayor and Administrators and be prepared to attend the Workshop. Also we would ask that you be prepared to make some financial commitment toward the overall strategy.

Alan Negreann
President, GFOA