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Your taxes could rise as N.J. budget talks heat up. This top Dem vows a fight.

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7–8 minutes

New Jersey leaders have discussed the possibility of [raising New Jersey's sales tax](#) back to 7% as a deadline fast approaches to pass a new state budget in an increasingly cloudy fiscal environment, according to sources familiar with early talks on the spending plan.

But in a preemptive strike, state Assembly Speaker [Craig Coughlin](#), one of the leaders at the forefront of negotiations, told NJ Advance Media on Tuesday he is against the idea.

“I’m not in favor of raising the sales tax,” Coughlin, D-Middlesex, said in a phone interview. “I don’t think this is the time. I think we need to improve the structural nature of the budget and spending so we’re in a better place for the future.”

The issue is shaping up to be a potential sticking point as budget negotiations between Gov. [Phil Murphy](#) and lawmakers enter what is usually one of the most critical and hectic stretches of the year in New Jersey politics.

The Democratic governor unveiled [a \\$55.9 billion budget proposal](#)

in February for how the state government should spend taxpayer money in the fiscal year that begins July 1. But the Democratic-controlled state Legislature has to sign off on a final plan, and the two sides have until June 30 to enact the budget.

That gives them less than three weeks to reach an agreement, a period that traditionally includes tense discussions and horse-trading. This budget is especially tough because leaders are [expecting drops in tax revenue](#) and high inflation to require some belt-tightening in the coming years after [a few budgets with record spending](#).

There is no formal proposal yet for increasing the sales tax, which is currently 6.625% and hasn't been changed in six years. But sources say Murphy has quietly discussed the idea with lawmakers [since at least January](#).

The chatter got [louder in recent weeks](#) as some Democratic lawmakers publicly floated the possibility of a hike in hearings on the budget with state Treasurer Elizabeth Muoio. State Senate Budget Committee Chairman Paul Sarlo, D-Bergen, told reporters last month that “we should look at all the options available.” Assembly Budget Committee Chairwoman Eliana Pintor Marin called it a “hypothetical” scenario.

Coughlin, the Assembly speaker, said Tuesday he has heard “talk in the ether” about a sales tax hike.

“We’ve had only preliminary discussions around the elements of the budget,” he said. “I think that’s something that may come up.”

Asked about Coughlin’s remarks, Natalie Hamilton, a spokeswoman for Murphy’s office, said: “The governor is committed to continuing good faith budget negotiations with the

Legislature.”

State Senate President [Nick Scutari](#), D-Union, the other top lawmaker who negotiates the budget with the governor, did not immediately return a message seeking comment.

Coughlin said leaders are “working through some challenges” when it comes to the budget. He has expressed concern about how Murphy’s proposal includes a structural deficit — meaning it would spend \$1.8 billion more than it draws in from taxes and fees and the state might have to use money from its surplus to cover some spending.

“Meeting some of those challenges and ensuring we’ll able to do it over the next decade, we’re going to have to tighten belts in this budget,” Coughlin said. “There will be tough decisions. We’re working through them together.”

One legislative source who spoke on the condition of anonymity said the fear is the state will “blow through a surplus” and be “back to mid-year cuts and deficit spending two budgets from now” if leaders don’t plan now.

Coughlin said he doesn’t believe there is “any notion” of cutting payments to the state’s public-worker pension fund or to school aid.

He also downplayed the possibility of a state government shutdown if leaders can’t come to a deal on the budget.

“It’s way too premature to even remotely think of that,” Coughlin said. “Our goal is always to avoid that.”

A sales tax hike is risky for Coughlin and the Assembly, with all seats in the chamber on the ballot next year. Coughlin is also

considered [a potential candidate for governor](#) next year.

The speaker said leaders should “seriously consider” another tax increase Murphy has asked lawmakers to pass: [a 2.5% surcharge](#) on some of the state’s wealthiest companies to provide funding for cash-strapped NJ Transit. Business groups vehemently oppose the plan — which Murphy has dubbed the “corporate transit fee — while progressive advocates have [championed it](#).

Murphy wants all of it to go to transit, while Coughlin has suggested some go to property-tax relief, including the ANCHOR program and his own [Stay NJ plan](#) designed to slash taxes for seniors starting in 2026.

“I want to help solve transit funding issue,” Coughlin said. “But one of things we need to do is make New Jersey more affordable for property taxpayers. Looking at revenue increasers, we have to keep that in our mind as we go through how we go about committing.”

“We need to be prepared for the long term,” he added.

State leaders last hiked the sales tax in 2006, increasing it from 6% to 7% — but only after a fight over the issue sparked an eight-day state government shutdown.

The sales tax dropped to 6.625% in 2018 as part of a deal between Gov. [Chris Christie](#) and lawmakers to raise the state’s gas tax instead. Murphy [proposed returning](#) the sales tax to 7% in his first year in office, calling the cut a “gimmick,” but he was [rebuffed by the Legislature](#).

Studies have shown sales taxes [are regressive](#), meaning those with lower income tend to pay a larger share of their annual

income than wealthier residents.

Murphy was asked about the possibility of a sales tax increase during a television appearance in January.

“The way that tax was reduced before we got here was not what I would’ve done and I think it was a mistake,” he said. “But it’s a regressive tax that hits folks who make less money harder. That’s not something that I have a lot of appetite for.”

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