



## PRESS RELEASE

May 24, 2010

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***What can New Jersey learn from the success of Massachusetts' Proposition 2.5 as legislators consider Cap 2.5?***

# **NJ'S PROPERTY TAX CAP 2.5 CAN REDUCE SPENDING WITHOUT HURTING EDUCATION**

**New Jersey** – Putting a cap on property taxes can achieve real restraint in tax growth without hurting educational outcomes, according to a new report released today. The report is co-sponsored by the Manhattan Institute and the Common Sense Institute of New Jersey.

With an average annual property tax bill of over \$7,000 per family, New Jersey has the highest property tax burden in the nation.

In the new report, "**Do Property-Tax Caps Work? Lessons for New Jersey from Massachusetts**," author Josh Barro reveals that Massachusetts's experience suggests adopting a similar reform could help New Jersey spend less, improve competitiveness, and maintain high quality public services.

Last week, New Jersey Governor Christie proposed legislation known as "Cap 2.5" to limit tax growth on existing property to 2.5 percent annually. Christie's reform proposal is modeled on Massachusetts's Proposition 2.5, a similar 2.5 percent property tax cap enacted in 1980.

Over the last three decades, Proposition 2.5 has held down property taxes as well as overall taxation in the Bay State - while Massachusetts's students continue to consistently outperform New Jersey's on national school exams, according to "Do Property-Tax Caps Work? Lessons for New Jersey from Massachusetts."

Highlights of the study include:

- In Massachusetts, Proposition 2.5 has effectively controlled property-tax growth. Real-dollar property-tax growth from 1980 to 2007 was just 22 percent in Massachusetts, compared to 68 percent nationwide and 102 percent in New Jersey.
- Overall growth in state and local taxes was 58 percent in Massachusetts, while it was 70 percent nationally and 108 percent in New Jersey. As a result, New Jersey went from being the state with the tenth-highest state and local tax burden to being the state with the highest burden. In the same period, Massachusetts fell from second to twenty-third.
- Since 1980, spending per-pupil also grew significantly more slowly in Massachusetts than New Jersey or the country as a whole. While in 1980 the two states had nearly equal per-pupil spending, by 2007 New Jersey outspent Massachusetts by 26 percent. New Jersey's 2007 spending of \$16,163 per student was the highest in the country, according to the U.S. Department of Education.
- Despite their lower spending levels, Massachusetts's public schools are the country's clear top performers, as measured by National Assessment of Educational Progress (NAEP) exams administered by the U.S.

Department of Education. In 2009, Massachusetts outperformed New Jersey in both reading and math in grades four and eight (though for grade eight, the gap in reading performance is within the margin of error).

The study can be accessed online at [http://www.manhattan-institute.org/html/cr\\_62.htm](http://www.manhattan-institute.org/html/cr_62.htm). If you would like to schedule an interview with the author, please contact Kasia Zabawa at (646) 839-3342 or by e-mail at [kzabawa@manhattan-institute.org](mailto:kzabawa@manhattan-institute.org).

About the author:

**Josh Barro** is the Walter B. Wriston Fellow at the Manhattan Institute focusing on state and local fiscal policy. He is the co-author of the Empire Center for New York State Policy's "Blueprint for a Better Budget." He writes weekly on fiscal issues for RealClearMarkets.com and has also written for publications including the *New York Post*, *Investor's Business Daily*, the *Washington Examiner*, *City Journal*, and Forbes.com. His commentary has been featured on CNN, Fox News Channel, CNBC, the Fox Business Network, and Bloomberg Television.

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