



NEW JERSEY GENERAL ASSEMBLY

JOHN DIMAIO
REPUBLICAN CO-CONFERENCE
LEADER
ASSEMBLYMAN, 23RD DISTRICT
208 MOUNTAIN AVE, SUITE 3
HACKETTSTOWN, NJ 07840
TEL: (908) 684-9550
Fax: (908) 722-1542

COMMITTEES

COMMERCE AND ECONOMIC
DEVELOPMENT
ENVIRONMENT AND SOLID WASTE
TRANSPORTATION AND
INDEPENDENT AUTHORITIES
AsmDiMaio@njleg.org

May 22, 2020

The Honorable Kevin McCarthy
Minority Leader
United States House of Representatives
2468 Rayburn House Office Building
Washington, DC 20515

Dear Minority Leader McCarthy:

There is a way to help states that does not require federal expenditures for a bailout, costs less than current proposals and provides a tax cut to the middle class.

The states and people we represent need all the help we can give them. Many states desperately need the means to help the American people. Simply giving states money without ensuring it maximizes our constituents' benefit would be a mistake.

There are two diseases rearing their heads, devastating our nation and the United States that comprise our citizenry. The first is obvious: Covid-19 has separated families temporarily and permanently. At the end of the day, we represent people, not government; it is a primary duty of government to protect people physically and financially. The measures enacted nationwide have saved lives, but put our constituents into a precarious financial position.

The second disease is just that, the precarious financial position plaguing people and states. A simple, carte blanche, no-strings-attached bailout of states would be misguided. The federal government must not redeem, assume or guarantee any state debt, nor provide an outlay of any federal funds on behalf of state creditors. It is unethical for government to increase the debt of states to cover losses, or provide funds that shirk the responsibility of creating debt in the first place. There is no government without people; the latter is always on the hook.

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I propose to you an alternative plan that would cost the government as much as \$500 billion to a trillion dollars if implemented nationwide, but quite possibly less. Obviously, these large expenditures have not been a disincentive for many members of Congress when considering the current carte-blanche bailout proposal.

Certain state taxpayers would receive a federal tax holiday, for only this tax year, by filing a one-time income tax return to their state. The filer pays federal income-tax rates to the state, and the form would be copied and sent to the Internal Revenue Service as confirmation of taxes paid. Essentially, residents would only pay federal, and not state, taxes, but states would receive a desperately needed revenue boost.

Only those who do not receive federal benefits, such as food stamps or housing assistance, file the return up to a certain income that, rightfully, will be negotiated with you all. Limiting this holiday to the middle class will also limit the revenue provided to the states to the amount necessary.

I ask that the tax holiday require conditions for states to receive the bailout. For example prioritizing constitutional, legal and debt obligations to reduce the need for higher taxes on residents in the future, and requiring reforms to ameliorate the problems that have exacerbated state crises in the first place.

Using New Jersey as an intimate example, income tax revenue derived from the federal holiday can only be used, by constitutional requirement, to fund our schools, reduce our pension and health benefit debt, help local governments and lower property taxes. My governor, Phil Murphy, told President Donald J. Trump that New Jersey needed \$20 billion to \$30 billion for the state and local governments. That revenue would be sufficient to aid the residents of this state in recovery from the pandemic.

Importantly, this plan does not ask taxpayers nationwide to bailout individual states. It allows states to help themselves. States like New Jersey, that need help the most, are often losers in the federal system. The third paragraph of Federalist No. 12 makes this point: "Tax laws have in vain been multiplied; new methods to enforce the collection have in vain been tried; the public expectation has been uniformly disappointed, and the treasuries of the States have remained empty." In the context of today, that is a fault of too much federal interference rather than too little federal influence.

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Take this as an example that federal taxation further empties the bank accounts of Americans for services that could be better and more efficiently provided at the state level. A teacher needs a smaller classroom to maximize the education of her or his individual students. Likewise, governments need a smaller population to maximize the safety nets provided to address individual needs.

Many states need federal relief. We must provide resources in the most efficacious way possible.

Thank you for your consideration. I hope you and your family are well.

Sincerely,



John DiMaio

Assemblyman, 23rd Legislative District

CC: The Honorable Robert Menendez, Senator
The Honorable Cory Booker, Senator
The Honorable Donald Norcross, NJ-01
The Honorable Jeff Van Drew, NJ-02
The Honorable Andy Kim, NJ-03
The Honorable Chris Smith, NJ-04
The Honorable Josh Gottheimer, NJ-05
The Honorable Frank Pallone, NJ-06
The Honorable Tom Malinowski, NJ-07
The Honorable Albio Sires, NJ-08
The Honorable Bill Pascrell, NJ-09
The Honorable Donald Payne Jr., NJ-10
The Honorable Mikie Sherrill, NJ-11
The Honorable Bonnie Watson Coleman, NJ-12