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NJBIA: Income Tax Cuts Will Send Positive Message about NJ's Business Climate

A broad reduction in income tax rates that reduces the tax burden on all taxpayers would send a powerful message that New Jersey is improving its business climate and making a clean break with the high-tax policies of the past, NJBIA President Philip Kirschner said today.

Kirschner said Governor Chris Christie's proposal to phase in an across-the-board 10 percent cut in income tax rates should help get New Jersey to improve the low national ranking of its business-tax climate. In January, the national Tax Foundation ranked New Jersey's business tax climate as the worst among the 50 states (It did not take into account the phase-in of tax reforms enacted in 2011). The state's income tax was rated the third worst in the nation.

"Nothing will send a more positive message to the private sector than a broad tax cut," Kirschner said. "It says that New Jersey is serious about lowering the cost of doing business here and that we are not going to return to the high-tax policies of the past."

"States with the most competitive economies across the nation are those with the lowest tax rates," Kirschner added. "Lower overall rates for every tax payer will help create jobs and attract new businesses to New Jersey."

There are 184,000 small businesses in New Jersey, an estimated 80 percent of which pay income taxes instead of corporate taxes because they are LLCs, partnerships, S corporations or sole proprietorships. These businesses currently pay the nation's third highest top-income tax rate (8.97 percent), behind only Oregon and Hawaii.

"Until recently, New Jersey businesses have seen mostly tax increases come out of Trenton," Kirschner said. "But over the last two years, the Governor and Legislature have held the line on government spending, capped property tax increases, and reformed several business taxes."

"Now legislators should take the next step and lower income tax rates," Kirschner said.

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