

# NJBIA

## REPORT TO MEMBERS *by Philip Kirschner, President*

### A New Budget and a New Direction

**Governor Chris Christie's first state budget was about cutting spending in the midst of a fiscal crisis. His second budget, while continuing this theme, is also about pointing New Jersey in a new direction.**

The budget Christie presented to a joint meeting of the Legislature on February 22 balances the budget without raising taxes, includes nearly \$200 million in business tax cuts, and would make public employee pension and health benefits look more like those in the private sector.

Christie's proposed Fiscal Year 2012 budget puts what he called "a down payment on growth" by taking important steps to improve New Jersey's business climate. "Creating jobs is the top priority of this administration, which is why tax cuts that help businesses grow and expand are a priority in the budget," the Governor said.

Many of these tax changes have been at the top of NJBIA's agenda for years, and we will continue to strongly support the measures as part of the FY 2012 budget.

The Governor's business-tax-cut proposals include a change in the way the state taxes multi-state businesses to make it like the tax structure in New York and Pennsylvania. The state's corporate business tax formula is currently based on a company's sales, property and

payroll in New Jersey. This penalizes companies that invest in jobs and facilities in New Jersey and rewards out-of-state companies that simply sell their goods here. The Governor proposed moving to a single-sales-factor formula which bases the corporate tax on in-state sales only. The measure would be phased in over three years.

The Governor also proposed allowing businesses that file under the gross income tax to carry losses forward to offset future profits. Right now, only companies paying the corporate business tax can do that. In addition, a loss in one type of pass-through business, such as an LLC, could be used to offset profits in another entity, such as a partnership, with the same owner.

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The Governor also wants to reduce the minimum S corporation tax by 25 percent, which would make New Jersey more competitive with neighboring states; allow larger corporate tax credits for research-and-development expenditures; and increase the estate-tax exemption from \$675,000 to \$1 million.

Finally, businesses would pay lower energy taxes under Christie's proposal to phase-out the Transitional Energy Facilities Assessment (TEFA) between now and 2014, saving businesses around 3-4 percent on their energy bills.

On pensions for public employees, Christie wants all government workers to pay 8.5 percent of their salaries toward pension benefits. He would also raise the retirement age to 65 and roll back a 9 percent pension increase enacted a decade ago.

Christie is also calling on public employees to pay 30 percent of their health-benefit costs, the same percentage paid on average by federal employees and a level typical for many private-sector employees.

Fixing New Jersey's business tax climate is essential to encouraging the entrepreneurialism necessary to expand and attract businesses as well as create new businesses that, in turn, will create new jobs and generate new tax revenues for the state. The Governor has proposed a budget that puts the state on sound financial footing and enables the state to grow its way out of the recession. **NJB**

