

NJBIA

REPORT TO MEMBERS *by Philip Kirschner, President*

The Most Probusiness Budget in a Decade

Since Governor Chris Christie was sworn into office, Trenton watchers have been looking for signs of how the Republican Administration and Democratic Legislature were going to work together. Two big issues—a massive state budget deficit and an insolvent Unemployment Insurance (UI) fund—provided the first test on how this divided government would work. The result: From the business community's point of view, this is the most pro-business budget in a decade.

Even though the state faced a whopping \$11 billion budget deficit—the largest in New Jersey's history—Governor Christie steadfastly refused to increase taxes. The Governor proposed a budget that closes an \$11 billion deficit by cutting spending, and the legislature approved it with few changes.

For one of the few times this decade, businesses won't have to pay higher taxes to the state to balance the budget. The Governor did not extend the 4 percent surcharge on the corporate tax, which expired on July 1. He also did not renew the expired one-year "temporary" tax that raised income tax rates for S corporations, LLCs, partnerships and individuals that made more than

\$400,000. The Governor did not want to raise taxes on anybody, believing, as NJBIA does, that the budget had to be balanced by cutting spending, not by raising taxes in a weak economy.

The insolvent UI fund presented another huge problem. It has been bankrupt for more than a year, which, under state law, left employers facing

a payroll tax increase of \$1 billion on July 1.

Initially, the Christie Administration and the Legislature believed that nothing could be done to stop it, but NJBIA took the lead in finding a solution. Our Government Affairs staff researched the issue and found a way to phase in the increase so that \$1 billion in taxes did not hit businesses all at once on July 1. We also wanted to reform the system to get the UI fund back to solvency and end the taxes more quickly. We then worked with the Governor and the Legislature to get a plan enacted to achieve these goals.

We made it clear that a huge \$1 billion tax increase would result in job losses at a time when the State seeks to create more jobs. The plan that was approved cuts a \$400 per employee increase to \$130 per employee.

> **This budget will go a long way** towards ending the big annual deficits that have plagued New Jersey for the past decade.

Major reforms to the way the UI fund paid out benefits also were achieved. Specifically, the law increases the waiting period for a UI claimant who has been discharged for misconduct. It also increases the eligibility requirements for individuals who have left their jobs voluntarily or have been discharged for "severe" or "gross" misconduct. This is estimated to save \$150 to \$175 million per year and hasten the recovery of the UI fund.

This budget will go a long way towards ending the big annual deficits that have plagued New Jersey for the past decade. NJBIA believes that Governor Christie is committed to changing New Jersey's business climate for the better, and we will continue to work with him and the Legislature to enact the probusiness policies that will get our economy growing again.

A special thanks goes out to NJBIA members who participated in the process. Many of you helped enact this budget and reform the UI system by contacting your legislators through our Membership Alerts and working with us in our efforts to lobby lawmakers. I am very grateful for your efforts, and I look forward to providing you with more positive reports in the future. **NJB**

