

NJBIA

REPORT TO MEMBERS *By Philip Kirschner, President*

State Budget Includes \$347 Million in Business Tax Reductions

There's good news for business in the state's fiscal year 2013 budget—good news amounting to \$347.5 million in business tax cuts and incentives.

While recent state budget negotiations focused on a proposed income-tax credit and the higher education merger, the New Jersey Business & Industry Association was making sure the phase-in of key business tax reforms initiated last year were continued.

My hat goes off to the Governor, the Senate President and Assembly Speaker for maintaining those business tax cuts and incentives.

If New Jersey wants to encourage business expansion and the creation of more private-sector jobs, the lifeblood of every state economy, then it's got to cut the excessive tax burden that has long been an obstacle to that goal.

The Tax Foundation and other national research organizations have consistently found that states with lower tax burdens enjoy faster growing economies and create new jobs more quickly than high-tax states.

Fortunately, the Governor and the Legislature have followed through on their four-year plan to reduce business taxes. In FY 2012, the total business-tax savings amounted to \$185 million. In the FY 2013 budget signed by the Governor June 25, the benefits to business increase to \$347.5 million. When fully phased in three years from now, as originally

planned, the annual tax savings for New Jersey businesses will reach an estimated \$660 million.

This tax-reform initiative contains many provisions. Among the most important provisions are ones which:

>The Governor and the Legislature have followed through on their **four-year plan to reduce business taxes.**

- Give small-business entities, such as limited liability companies and S corporations, the same ability as C-corporations to carry forward net operating losses from unprofitable years into future profitable years. It also allows for the consolidation of business income across related business entities.

- Phase in over three years a new tax formula, known as the "single sales factor," for calculating the tax on the New Jersey sales of multi-state companies. The old formula penalized companies with employees and facilities in New Jersey by charging them a higher rate, on the same amount of sales, than out-of-state companies that only sell here. The single-sales-factor formula eliminates that inequality.

- Phase out the Transitional Energy Facility Assessment (TEFA), an outdated sales tax on energy usage that amounts to 4 percent of your energy bills.

Other important business-tax changes in the FY 2013 budget include a 25 percent reduction in the S corporation minimum tax, continued funding of the Research and Development Tax Credit program, and continued funding of the Technology Business Tax Certificate Transfer Program.

NJBIA is disappointed, however, that the Legislature did not follow through on the Governor's proposal to give taxpayers a 10 percent income-tax rate cut or on a compromise plan for a 10 percent income-tax credit tied to the amount of property taxes you pay.

In a state which has one of the worst tax climates and a \$31.7 billion budget, an income-tax cut or credit worth \$183 million should be the priority, not extra spending. **NJB**

