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At Issue

Unchain the New Jersey Economy

The timing could not have been worse for Governor Jon Corzine. Less than 24 hours after unveiling his austerity State Budget plan slashing \$650 million from current spending, it was revealed that only 3,700 private-sector jobs were created in New Jersey last year, off sharply from the previously projected 23,600 job gain. And any hope that 2008 would be better evaporated with news that the State lost 9,200 private-sector jobs in January.

The Governor's commitment in rejecting New Jersey's credit-card culture is very important. But spending constraint is only one flank in the battle to take New Jersey back from the brink of bankruptcy. Equally important is the need for an aggressive economic stimulus initiative.

The first step in crafting a stimulus package is acknowledging the primary cause of our economic doldrums. It is not the federal government, not the national economy, not our employers, and not our workers, but state and local government policies that have caused our business climate to deteriorate sharply. It's reached the point where for the past five years business decision-makers across America have continually ranked New Jersey as one of the worst states in which to do business.

The good news for state lawmakers is that implementing a successful economic stimulus package need not cost money. Rather, it can be a money-maker, both for New Jersey's families and governments. Here are just a few action ideas:

Declare an immediate moratorium on new regulations emanating from the NJ Department of Environmental Protection (DEP). In New Jersey today, a well paying job is our most endangered species. The recent glut of major DEP proposals on everything from land use to natural resources fails to balance the twin goals of protecting our environment while doing no harm to our economy. Now is not the time to burden employers with new, expensive government mandates.

Eliminate tax laws that discourage private-sector job growth.

Nothing is more counter-productive than tax policies that discourage entrepreneurial investment. Take New Jersey's Corporation Business Tax, for example. Companies that have facilities in New Jersey and create jobs here are taxed more than companies based elsewhere but sell their goods or services in the State. That's wrong. Or take the sales taxes imposed on the fitness club and limousine industries. In 2007, Legislators exempted members of not-for-profit health clubs, like YMCAs and municipal pools, from paying the 7 percent tax on membership fees. This makes them more attractive than for-profit clubs where clients must still pay the tax. In the case of the limousine industry, new sales taxes imposed on in-state rides have led to job losses as New Jersey consumers easily avoid the tax by utilizing New York- and Philadelphia-based drivers.

Work harder to retain manufacturing jobs. With nearly 500,000 jobs dependent on the industry, New Jersey's manufacturing sector remains an important component of the state's economy. To ensure its survival, New Jersey needs to help reduce manufacturer's cost of doing business. Elimination of energy taxes and expansion of investment credits for equipment purchases would be a good start.

Remove arbitrary limits on job creation incentive programs.

The decade old Business Employment Incentive Program (BEIP) is New Jersey's most successful job stimulus program, supporting the creation of 70,000 actual jobs and leveraging \$11.7 billion in investment. A portion of the state income taxes paid by new employees is shared with their employers—a true win-win situation for employers and taxpayers. Yet, recent changes both cap and reduce the tax sharing benefit. New Jersey should be looking to expand, not contract, programs like BEIP, which are revenue generators.

It's a basic formula. Greater economic activity generates more tax revenue. By paying as much attention to stimulating the economy as they do to cutting the budget, the Governor and the Legislature could make future spending decisions a lot easier. 💰