

B U S I N E S S V O I C E



Vol. 9, No. 7

July-August 2006

New State Budget Eliminates Key Business Taxes, Extends Sales Tax to Some Services

Lawmakers on July 8 enacted a \$30.8 billion State budget and a 1 percent increase in the State sales tax, with half of the increase set aside for property tax relief, to end a week-long budget crisis that shuttered most State government services.

The sales tax will also be extended to several previously untaxed items, including security services, health clubs, landscaping, parking, self-storage and limousine services. The sales tax increase has already taken effect, while the sales tax extensions will take effect on October 1.

Through the efforts of NJBIA, businesses will see several favorable tax changes that will lower their cost of doing business and make New Jersey's business climate more competitive in the coming year. The budget agreement:

- allows businesses to continue to deduct all net operating losses (a tax savings of \$300 million);
- eliminates the alternative minimum assessment (AMA) portion of the Corporation Business Tax (CBT) (a tax savings of \$250 million);
- lowers the tax burden on S corporations (a tax savings of \$20 million);
- does not divert employer payroll taxes paid to the Unemployment Insurance (UI) Trust Fund for the first time in 13 years (a potential \$300 to \$400 million tax savings, as payroll taxes would likely rise to cover any diversions); and
- omits the proposed hospital bed tax

and water tax increase.

These items were all top NJBIA priorities when the budget process began in March. To ensure they became accomplishments, NJBIA staff worked through the Fourth of July weekend and through the night of July 7 as legislators prepared the final budget document. We monitored negotiations and lobbied against new business taxes as legislators scrambled to find new revenue sources to fund the increased spending. As a result, NJBIA was able to stop several antibusiness tax proposals before they ever made it to committee, including:

- a proposed expansion of the sales tax to professional services such as legal, accounting, computer services and temporary employment services;
- a proposed gross receipts tax on all employers;
- a proposed income tax hike on

(continued on pg. 5)

Oct. 25 NJBIA Hot Legal Topics for Employers Seminar

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More than 150 employers learned the ins and outs of New Jersey's complicated new pay-to-pay laws at a special NJBIA seminar in June. Find out more on how you can protect your government contracts on page 5.

More Tax-Exempt Bond Financing Available to NJ Manufacturers; Up to \$10 Million Per Project

Manufacturers will be able to obtain greater federally authorized, tax-exempt bond financing beginning in 2007, thanks to a recently enacted change to federal law. The change will allow manufacturers with up to \$20 million in total capital expenditures (twice the previous limit of \$10 million) to be eligible for tax-exempt bond financing.

Financing of up to \$10 million can be used by eligible manufacturers to upgrade facilities or install new equipment at interest rates 20 to 35 percent below market rates. The program is administered in New Jersey by the NJ Economic Development Authority (EDA).

NJBIA, along with other State business leaders, formed the Bonds for Business Coalition with the EDA in 2003 to support the

change at the federal level. The higher limits were enacted in 2005, but were not scheduled to take effect until 2009. In May, however, the Tax Reconciliation Act was signed, accelerating the effective date to 2007.

This program has already proven to be an effective economic development and job creation tool. Even with the lower \$10 million limit, the EDA arranged \$3.3 billion in low-cost financing for over 2,000 manufacturers that have created over 62,500 permanent jobs since the program began. In 2005 alone, the EDA provided 15 manufacturing businesses with \$44 million in tax-exempt bond financing that is expected to create 340 jobs once the projects are complete. With higher limits, the program should be even more effective.

Even though New Jersey has one of the highest costs of doing business of any State, it is still home to a viable manufacturing sector that provides jobs for more than 320,000 people. Many New Jersey manufacturers are able to compete with goods producers in other States and countries by using high-tech, sophisticated manufacturing processes.

Through this program, manufacturers will have greater access to low-cost financing to pay for the cutting-edge facilities they need to survive.

To learn more about this program, contact the EDA at mbailey@njeda.com or 609-777-4898. For more information about the Bonds for Business Coalition, contact Art Maurice at ext. 247 or amaurice@njbja.org.

Hot Legal Topics for Employers Wednesday, October 25

Attention HR Managers and Business Owners

Learn How to **Protect Yourself and Your Company**
at this Informative NJBIA Seminar

This half-day seminar is a must for human resources managers, especially those at small to medium-sized companies. NJBIA will bring together some of the State's foremost HR attorneys to cover all the latest developments in sexual harassment, age discrimination, employee handbooks, family leave and other legal issues confronting workplaces throughout the State. Our panelists will cut through the legal jargon and tell you what you need to know to avoid costly legal landmines. You will also get to network with other HR professionals, receive valuable handouts, and be given time to ask questions of the seminar's speakers. The program, which will be held at Holiday Inn in Tinton Falls, begins at 8:30 a.m. and ends at 12:30 p.m. The cost per person is \$109 for NJBIA members and \$139 for nonmembers. To register, call Katie Wittkamp at 609-393-7707, ext. 239, or visit "Events and Programs" at www.njbja.org.

Legislative Update

Contractor Tax Collection Bill Gets Final Approval

Final legislative approval was recently given to a bill that would require businesses to withhold payroll taxes for the unregistered construction contractors they hire.

The bill, **S-468 (Sweeney)/A-1910 (Burzichelli, Voss)**, now goes to Governor Jon Corzine to be signed into law. Under the bill, any employer who hires a contractor that is not incorporated in the State would have to collect a tax of 7 percent of the total amount paid and forward it to the NJ Department of Treasury each month.

Businesses would be responsible for verifying a construction contractor's incorporation and provide a written annual statement

to each contractor detailing the total payments made on their behalf. Businesses that fail to withhold the taxes would be subject to the same penalties they would receive if they failed to pay payroll taxes for their own employees.

NJBIA opposes this legislation. The business of collecting these taxes belongs to the NJ Division of Taxation, not the hardworking employers of New Jersey. This bill would impose an inefficient and costly mandate on New Jersey businesses and would unfairly shift the burden of tax compliance onto them. For more information, contact Art Maurice at ext. 247 or amaurice@njbja.org.

NJDOL to Handle Larger Wage and Hour Disputes

Wage and hour disputes involving sums of \$30,000 or less can be decided administratively by the NJ Department of Labor (NJDOL) under **A-1423 (Scalera, Van Drew)**, which has been signed into law by Governor Jon Corzine. The law increases the threshold for administrative review from its previous \$10,000 to \$30,000. Employees with disputes over minimum wage, overtime, or their classification involving wages of no more than \$30,000 can file their case with either the Department or in civil court. Cases involving amounts greater than \$30,000 must be considered in court. For more information, contact John Rogers at ext. 209, or jrogers@njbja.org.

Assembly Votes to Ease Rule Burden for Small Businesses

NJBIA-backed legislation that would ease the regulatory burden for small businesses recently was approved unanimously by the Assembly.

A-2327 (Chivukula) would make several changes to the way State agencies promulgate rules that affect small businesses. It now heads to the Senate for consideration.

The New Jersey Regulatory Flexibility Act already allows simplified reporting requirements for some small businesses. **A-2327** would expand the definition of small businesses to include those with annual sales of less than \$6 million, regardless of the number of employees. Only businesses with fewer than 100 employees are now considered small businesses.

The bill also would require agencies to simplify and consolidate reporting requirements for small businesses when adopting or revising regulations. Finally, the bill would grant small businesses adversely impacted by a regulation the right to seek judicial review. Small businesses could petition the Appellate Division of the Superior Court within one year of final adoption of the rule, and the court would be able to order the agency to rewrite it or defer its enforcement on small businesses. For more information, contact David Brogan at ext. 236, or dbrogan@njbja.org.

Quote of the Month

“If spending goes unabated, there will be more pressure in the future to raise taxes on all of us, businesses and residents.”

- NJBIA President Philip Kirschner, on the need to curtail spending in order to achieve sustainable property tax reform.

NJBIA Golf & Tennis Day

Fun and Camaraderie Trump Hot Weather at NJBIA's 36th Annual Golf and Tennis Day

Over 200 golfers and tennis players competed for trophies and prizes in NJBIA's 36th Annual Golf and Tennis Day on July 18 at Forsgate Country Club in Monroe Township and the East Brunswick Racquet Club. Many more attended the evening reception and dinner.

"Today is about getting away from work and getting out of the

office. This is our day to relax and just have a good time," NJBIA President Philip Kirschner told a weary but relaxed crowd at the dinner that concluded the day's activities.

Golfers took to the links on Forsgate's two courses—the Palmer Course, a classic parkland layout with plenty of water, and the Banks course, a links-style layout with copies of many of the great holes from Scotland's famed courses.

Tennis players paired up for a round-robin doubles tennis tournament at the East Brunswick Racquet Club.

Everyone gathered back at the Country Club for the Golf and Tennis Day dinner, featuring good food, the

awards and the ever popular door prizes.

More than 80 companies sponsored the tournament. NJBIA offers them its sincere thanks.



I tawt I taw a puddy tat! Paul Distefano of L'Oreal in Clark shows off his novelty headcovers.



Sara Mauer of the Olde Mill Inn in Basking Ridge volleys during the tennis tournament at the East Brunswick Racquet Club.



NJBIA President Philip Kirschner (right) presents Charles Higgins of Wall Township with a set of Lenox china, one of five grand door prizes given out during dinner.



Cliff Lindholm of the Falstrom Company follows his tee shot on the Palmer Course.

More than 150 Learn about NJ's Complicated New Pay-to-Play Laws at NJBIA Seminar

New laws are in effect that restrict campaign contributions by people who have government contracts. At NJBIA's June 23 seminar on "Navigating New Jersey's Pay-to-Play Laws," government contrac-

must separately disclose its contributions to the New Jersey Election Law Enforcement Commission (ELEC). The regulations detailing this disclosure have yet to be promulgated by ELEC.

The laws are complicated and compliance could prove to be difficult. Experts encourage all government contractors to take four steps to protect themselves:

1. **Identify Who Is Covered.** Identify persons in your company and entities subject to the requirements of each law and alert relevant individuals to the restrictions, prohibitions and disclosure requirements of the relevant law(s).
2. **Track Contributions by Covered Persons and Entities.** Track and review all contributions by covered persons and entities to prevent

inadvertent violations. If an inadvertent violation occurs, request an immediate refund of the contribution in writing.

3. **Use Contribution Cover Letters.** Use contribution cover letters with protective language advising all recipient committees that the contributor is a business entity subject to "pay-to-play" restrictions.
4. **Adopt a Policy.** Adopt a company policy governing the making and solicitation of political contributions. Distribute the policy to all officers, members, directors, stockholders and employees.

For more detailed information, contact John Rogers at ext. 209 or jrogers@njbja.org. You can also download NJBIA's Pay-to-Play Fast Facts at <http://www.njbja.org/regulatory.asp>.



C. Richard Kamin (left), of MBI Gluckshaw, and NJBIA Vice President John Rogers share a light moment during NJBIA's Pay-to-Play seminar, June 23.

tors were warned to pay close attention to the details.

In general, the laws require contractors to report to the contracting authority all campaign contributions if they have State or local government contracts worth more than \$17,500.

This includes contributions made by the company, their principals, partners, officers or directors of the bidder and their spouses; subsidiaries directly or indirectly controlled by the bidding company; and political action committees or continuing political committees directly or indirectly controlled by the bidder. Where the bidder is a natural person (i.e., a sole proprietor), the definition also includes that person's resident spouse and children.

Additionally, a business that has received an aggregate of \$50,000 or more through government contracts in a calendar year

Budget Deal Approved *(continued from pg. 1)*

taxpayers earning between \$200,000 and \$500,000 that would have hit partnerships, LLCs and other small business entities hard; and

- a proposed increase in employee Temporary Disability Insurance (TDI) payroll taxes that would have kept the rate at 0.5 percent but increased the maximum tax base from \$26,000 to \$94,000 (and likely would have been extended to employers).

The Legislature did enact, increase or extend several taxes that will impact business, which

NJBIA opposed. They imposed a new, temporary tax surcharge equal to 4 percent of a company's total CBT tax liability, after tax credits. The budget also raised the minimum tax paid by C Corporations from \$500 to a sliding scale of between \$750-\$2,000 for companies with \$100,000 or more in gross receipts. These changes will take affect with business tax years beginning in 2006. The budget also extends for two years the transitional energy facilities assessment (TEFA) that will cost all energy consumers an extra \$45 million a year.

NJPRO Foundation Report

Middle School Curriculum Ready for Next School Year

As September approaches, the New Jersey Policy Research Organization (NJPRO) Foundation's Small Business Curriculum, Teaching Tomorrow's Entrepreneurs Today, has come back into the spotlight.

As part of NJPRO's Professional Development to New Jersey Educators program, NJPRO Deputy Director Christopher Emigholz has traveled around the State providing training for teachers interested in implementing Teaching Tomorrow's Entrepreneurs Today. He continues to do so upon request.

The curriculum is designed to promote business and entrepreneurial literacy among middle school students by providing them with real-world examples from the workplace and the free-market system. Topics include business planning, finance, marketing, technology, innovation, the hiring process, and communication. The curriculum modules are flexible enough to fit into most classroom schedules and are designed to fill approximately five 45-minute time periods.

The curriculum was written by a group of teachers under the guidance of an advisory board of business and education experts. It has been endorsed by the New Jersey Education Association (NJEA), the New Jersey Department of Education, the Technology Educators Association of NJ, PSE&G, AT&T, and the New Jersey Business & Industry Association (NJBIA).

For more information or to request a training session for your school, please contact Christopher Emigholz at ext. 201, or cemigholz@njbia.org. To download or read more about the curriculum, visit NJPRO's Web site at www.njprofoundation.org.

NJBIA Thanks Its Annual Sponsors

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Why Manufacturing Counts in New Jersey

— An NJPRO Special Report —

The New Jersey Policy Research Organization, an independent affiliate of NJBIA, has published an updated report on why manufacturing remains vitally important to the New Jersey State economy.

The report, entitled *Why Manufacturing Counts in New Jersey*, explains that manufacturers continue to employ about 320,000 people in New Jersey or nearly ten percent of the State's private-sector workforce. In addition, manufacturers as a group

pay above average wages and benefits, are highly productive, and have a big economic impact compared with other industries.

NJBIA says this report underscores the importance of enacting State policies that will support the creation of manufacturing jobs.

The greatest concentrations of manufacturing jobs are to be found in pharmaceuticals and medicine (39,600), computer and electronic products (31,300), food products (30,700), chemicals (30,400), fabricated metals (27,600) and

printing (23,300).

In 2005, New Jersey manufacturers paid an average annual wage of \$57,220. This was \$11,068 or 24 percent higher than the average wage paid by all private-sector employers in New Jersey. Manufacturers also provide benefits worth 40 percent more than the average paid by all private-sector employers.

Visit the NJPRO Web site at <http://www.njprofoundation.org/pages/specialrep.htm> to see the entire report.



GETTING THE FULL BENEFIT

Spotlight on NJBIA Member Benefits

Fast Facts: Impact of FY2007 State Budget on Your Company

NJBIA publishes a series of publications called "Fast Facts" that are intended to help our member companies comply with new State laws and regulations. This State Budget Fast Facts explains the impact of the new State budget on New Jersey employers. The online version of this Fast Facts paper, with links to State government Web sites, can be found at www.njbja.org/ffa01.asp.

Background

New Jersey's Fiscal Year 2007 State budget, which took effect July 1, 2006, contains many significant changes in tax law for New Jersey employers.

Tax relief for employers?

Yes, the FY2007 State budget contains significant tax relief for employers. It allows businesses to fully deduct net operating losses, and it abolishes the alternative minimum assessment, for a combined annual savings to employers of about \$550 million.

In addition, the budget reduces the corporate tax on S corporations from a tax rate of 1.33 percent to 0.67 percent this year and ends the tax beginning July 1, 2007 for a savings of \$20 million.

Finally, the budget ends the annual diversion of employer payroll taxes to the state Unemployment Insurance (UI) Trust Fund, saving employers a potential \$300-400 million increase in payroll taxes.

What new taxes does the budget contain?

The budget contains a number of

new taxes that will have an impact on employers. However, the new taxes generally will cost employers less than the more onerous taxes eliminated by this budget.

Sales Tax

(Visit <http://www.state.nj.us/treasury/taxation/pdf/ratechangenotice.pdf> for further details.)

- 1) The sales tax increased from 6 percent to 7 percent, beginning July 15, 2006. If the property or services were sold but the property was not delivered or the services were not rendered on or after July 15, 2006, you must charge tax at the rate of 7 percent. This rule applies whether or not payment has been made in whole or in part prior to delivery.
- 2) The sales tax will be expanded to various services beginning October 1, 2006. These services include self-storage; security guards and alarms; limousine; parking; initiation, membership or access fees for health clubs and recreation services; shipping and handling; landscaping; installation of carpeting and flooring; and information reference.
- 3) The sales tax on retail goods sold by businesses in Urban Enterprise zones will rise by a half a percentage point to 3.5 percent. UEZ-based businesses must now pay the sales tax and apply for a sales tax refund when purchasing goods or services for their own use.

Corporation Business Tax (CBT)

(Visit <http://www.state.nj.us/treasury/taxation/pdf/surtaxchanges.pdf> for further details.)

- 1) A temporary, three-year surcharge of 4 percent will be imposed on CBT tax payments;
- 2) The minimum CBT tax of \$500 paid by corporations with \$100,000 or more in gross receipts will be increased as follows: a) \$100,000 to \$249,999 in gross receipts, \$750 minimum; b) \$250,000 to \$499,999 in gross receipts, \$1,000 minimum; c) \$500,000 to \$999,999 in gross receipts, \$1,500 minimum; and d) \$1 million or more in gross receipts, \$2,000 minimum.
- 3) The five-year periodic inflation increase in the minimum tax has been eliminated.

Energy Taxes

The TEFA (transitional energy facility assessments) energy tax, which is paid by all energy consumers (A-4709), is extended for two years.

Realty Transfer Tax

A 1 percent commercial realty tax on purchasers of commercial properties of over \$1 million (A-4701) is being imposed.

Tax on Luxury or Fuel-Inefficient Automobiles

A new one-time titling fee of 0.4 percent of the sales/lease price on passenger vehicles costing \$45,000 or more, or on vehicles sold/leased with an EPA mileage rating less than 19 MPG (A-4707).

WEDNESDAY, SEPTEMBER 27 Meet NJ's Top Two Legislative Leaders



Richard Codey



Joseph Roberts

Hear directly from New Jersey's two most powerful legislative leaders, Senate President Richard Codey and Assembly Speaker Joe Roberts. This event will be held at the Forsgate Country Club in Monroe Twp. (right off exit 8A of the NJ Turnpike) from 7:45 a.m. until 10:00 a.m. Plenty of time will be set aside to answer your questions. Don't miss this informative networking event. Cost to attend is \$69 per person for NJBIA members and \$105 for nonmembers. To register, call Katie Wittkamp at 609-393-7707, ext. 239. To become a sponsor, contact Sherry Esteves at ext. 219.

October 2006 (tentative) Made in New Jersey Day

If your company makes a product in New Jersey, you can showcase it by becoming an exhibitor at NJBIA's Annual Made in New Jersey Day, which will be held on a date to be determined in October at the State House in Trenton. There is no cost to exhibit! You can also provide a Jersey-made product sample for our New Jersey Sampler Bag. If you are a manufacturer and member of NJBIA and would like to be an exhibitor, a Sampler Bag contributor or an event sponsor, contact Alex Hollywood at 609-393-7707, ext. 262, or Sherry Esteves, ext. 219.

Wednesday, October 25 Hot Legal Topics for Employers

This half-day seminar is a must for human resources managers, especially those at small to medium-sized companies. NJBIA will bring together some of the State's foremost HR attorneys to cover all the latest developments in sexual harassment, age discrimination, employee handbooks, family leave and other legal issues. Our panelists will cut through the legal jargon and tell you what you need to know to avoid costly legal land-

mines. You will also get to network with other HR professionals, receive valuable handouts, and be given time to ask questions of the seminar's speakers. The program, which will be held at the Holiday Inn in Tinton Falls (exit 105 off

the Garden State Parkway), begins at 9:00 a.m. and ends at 12:30 p.m. The cost per person is \$109 for NJBIA members and \$139 for nonmembers. To register, call Katie Wittkamp at 609-393-7707, ext. 239.

Awards for Excellence Dinner Tuesday, October 17

On October 17, NJBIA member companies that have achieved excellence in activities related to human resources management, job creation, environmental quality, and public service will receive NJBIA's Award for Excellence during a dinner at the Hilton, East Brunswick (Exit 9, NJ Turnpike). The program begins at 6:00 p.m. and will include a reception, dinner and the award presentations. The price is \$149 per person. Tables of ten are available. To register, call Stacy Wichner at 609-393-7707, ext. 213, or click on "Events and Programs" at www.njbia.org. To become a sponsor of this event, contact Sherry Esteves, ext. 219.

—Become an Awards for Excellence Sponsor!—

Associate your business with excellence by becoming an Awards for Excellence sponsor. To become a sponsor, call Sherry Esteves, ext. 219.

Gold Sponsor (\$2,000) — You get a reserved table of 10, company name listed on event signs, two-line message in event program, listing in follow-up story in NJBIA's monthly *Business Voice* newsletter and *New Jersey Business Magazine*, and a link to your company Web site from www.njbia.org.

Silver Sponsor (\$600) — You get one ticket to dinner with reserved seating, company name listed on event signs, two-line message in event program, listing in follow-up story in NJBIA's monthly *Business Voice* newsletter and *New Jersey Business Magazine*.

Bronze Sponsor (\$400) — You get a two-line congratulatory message in event program.