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Report TO MEMBERS

Governor & Legislature's Economic-Relief Plan Strikes Right Notes for NJ

In a rare address to the state Legislature, the Governor in October strongly endorsed tax reforms advocated by NJBIA that would make New Jersey's business tax climate more competitive with other states.

In unveiling his economic-relief package, the Governor also urged speedy reforms to the state's environmental-permit review process, saying the business community deserves a process that is "predictable, transparent and timely."

Over the past several weeks, these proposals have seen action, and some could become law before the year is out. Only time will tell if these and other initiatives promoted by the Governor and Legislature can blunt the economic downturn in New Jersey in the short term. Over the longer term, however, the tax and permit reforms should make New Jersey's business climate more competitive.

It's important to point out that the Governor's tax-reform proposals did not come out of thin air. Many were contained in NJBIA's *Agenda for Economic Growth*. NJBIA had already gotten legislators to introduce the bills earlier this year, so when the Governor endorsed them, they were ready for legislative action.

NJBIA's economic agenda has one basic overriding goal: to promote public policies that provide a better business climate for New Jersey, policies that will lead to job growth and a stronger state economy.

While it took a national economic crisis to put these proposals at the top of New Jersey's agenda, it is a welcome change of direction.

In his address to the Legislature, the Governor proposed the following business-tax reforms, all supported by NJBIA. They would:

- Extend the period over which companies can deduct net operating losses to 20 years from seven years. The 20-year standard is already in use by the federal government and 24 other states with corporate business taxes.
- Eliminate the "regular place of business" rule, which requires companies to establish a staffed office outside of New Jersey as a precondition for allocating income to other states for New Jersey tax purposes.
- Repeal the "throw-out" rule, which requires multi-state corporations to pay state business taxes on company revenues that are unrelated to their New Jersey operations or sales. Only one other state has this requirement.

The Governor also endorsed NJBIA's efforts to try to move to a single-sales-factor formula for the Corporation Business Tax. This would eliminate the portion of the CBT that New Jersey companies pay on jobs and property. However, the Administration also wants to adopt unitary combined tax reporting, which NJBIA does not support.

In an effort to help small and medium-size business, the Administration has also proposed a Main Street Business Assistance Program, which would be administered by the NJ Economic Development Authority (EDA). It would provide \$50 million in business loans for working capital, capital investment and debt refinancing. It would also guarantee bank lines of credit. Unlike other EDA programs, this program would be tied to job retention, not just job creation. The state would also provide businesses with five to 500 employees an incentive to create jobs over the next two years by giving them \$3,000 for each new job created.

The Governor and Legislature are taking the right steps to get New Jersey's economy back on track: reforming New Jersey taxes so that they are more competitive with other states, issuing permits in a more timely fashion, and focusing the state's efforts on the businesses that are already in New Jersey. NJBIA will work with the Governor and the Legislature to enact these proposals into law. ♣