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President

Report TO MEMBERS

Recession's Certainty Makes Pro-Jobs Agenda a Necessity

The Wall Street Journal recently reported that economists believe the next U.S. president will be confronted with slow growth, high unemployment and “an economy teetering toward recession.”

Teetering? Not here in New Jersey. The downturn came early to this state and shows no sign of going away any time soon. New Jersey lost close to 15,000 private-sector jobs in the first eight months of 2008, following a year in which employment was flat. Over the past five years, New Jersey has badly lagged the nation in its rate of job growth. Now the Wall Street financial crisis threatens to put thousands more out of work here.

Alarmed, the Governor and the Legislature are moving quickly to bring economic stimulus bills up for a vote. Here's NJBIA's prescription for renewed economic growth:

Fix archaic tax policies: New Jersey's archaic corporate tax structure hinders job growth and puts New Jersey at a disadvantage with other states that have reformed their tax structures. Three of the most important reforms would:

- **Base the Corporation Business Tax (CBT) on NJ sales only:** New Jersey's CBT formula penalizes companies that are located here and create jobs here and favors out-of-state companies that only sell here. New Jersey should adopt “single-sales-factor” reform that bases the CBT solely on a company's in-state sales.
- **Extend net-operating-loss deductions:** New Jersey is one of only eight states that do not allow companies to deduct net operating losses (NOLs) over a 20-year period. Senate President Richard Codey has introduced legislation that would extend the NOL carry-forward period from the current seven-year limit to 20 years.
- **Eliminate the throw-out rule:** New Jersey penalizes companies headquartered in New Jersey by taxing

income generated from sales in other states when these sales have no connection to a company's operations in this state. This throw-out rule should be thrown out.

Reduce energy costs: The state must reduce energy costs, not raise them. With the passage of recent legislation, almost 20 percent of a commercial/industrial ratepayer's total electric bill is the result of government-imposed taxes and surcharges. Among other reforms, NJBIA advocates a reduction in the 4 percent Societal Benefits Charge (SBC) and elimination of the “retail adder” tax. NJBIA also seeks to reduce manufacturers' energy-tax costs.

Remove regulatory obstacles: As New Jersey is already one of the nation's most heavily regulated states, we should remove, not expand, regulatory obstacles. Excessive regulations are a costly hidden tax on business. Two important initiatives would:

- **Exercise regulatory oversight over the DEP:** Last year, the NJ Department of Environmental Protection (DEP) issued 2,000 pages of new land-use regulations that are further blocking economic growth in New Jersey. Legislators should use their oversight power more aggressively to prevent this kind of regulatory overkill. An effort is currently underway to amend a rule that would compel industrial facilities to give the public 24-hour access to tidal waterfronts fronting their properties or pay a tax.
- **Establish one-stop shopping:** Other states make it easy for businesses to set up shop with “one-stop shopping” that gives them a single point of access for all the state permits and programs they need. New Jersey should do the same.

Stop the mandate madness: New Jersey has acquired a penchant for adopting new regulations and mandates that exceed what other states do and are a costly burden on business. For example, in May, the state enacted a six-week paid family leave program that was strongly opposed by business. Mandates like this only drive more employers – and jobs – out of this state. ❧