

Testimony before the Senate Budget & Appropriations Committee on the FY 2024 Budget

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**By
Michael Egenton
Executive Vice President, Government Relations
New Jersey State Chamber of Commerce**

Good morning Chairman Sarlo and members of the Senate Budget and Appropriations Committee. Thank you for the opportunity to speak at this budget hearing. I am Michael Egenton, Executive Vice President of Government Relations for the New Jersey State Chamber of Commerce (“State Chamber”).

The State Chamber is pleased that Governor Murphy has introduced a state budget that includes no new taxes and fees. The State Chamber is also grateful for the measures that this State Legislature has passed during the 220th Legislative Session, which has alleviated some of the issues for businesses. However, you should know that there are still many businesses struggling as they wrestle with increased business costs, inflation and a workforce shortage.

The State Chamber particularly commends the Governor for reiterating his promise to allow the Corporation Business Tax (CBT) surcharge to sunset at the end of 2023. Now it is up to the members of the State Legislature to do the right thing and pass this in June. The Governor’s position on this is correct. It will help make the state more competitive and more affordable. It will also demonstrate that our leaders honor their commitments, which results in the reliability and predictability that businesses seek. Still, even after the CBT surcharge expires, New Jersey will have fourth highest CBT rate in the nation, which should be targeted for further reductions.

Given the new economic uncertainty brought on by the banking crisis, the State Chamber believes the \$10 billion surplus should ONLY be directed towards programs that directly shores up our state’s economy. If the banking crisis worsens and financial institutions pull back on lending, which many leading economists predict could happen, our New Jersey companies, including many small businesses, will need assistance. Some economists put the chance of recession this year at 65%, up significantly from a few weeks before.

Ben Casselman of the New York Times wrote this past weekend in regards to the banking crisis, “Tighter credit is likely to be a particular challenge for small businesses, which typically don’t have ready access to other sources of financing, such as the corporate debt market, and which often rely on relationships with bankers who know their specific industry or local community. Some may be able to get loans from big banks, which have so far seemed largely immune from the problems facing smaller institutions. But they will almost certainly pay more to do so, and many businesses may not be able to obtain credit at all, forcing them to cut back on hiring, investing and spending.”



If that's the case the \$10 billion surplus should be used for items such as replenishing the state's Unemployment Insurance Fund, which many states have done, instead of through business payroll tax increases. The current payroll tax increase only adds to the business community's economic stress and uncertainty.

The surplus could also be used to create a grant fund that would provide working capital to entrepreneurs and business owners in every industry and region, an idea the New Jersey State Chamber of Commerce has been seeking for quite some time.

The State Chamber is supportive of measures proposed by Governor Murphy to assist business owners in urban areas hit hard by the pandemic, as well as programs that revitalize New Jersey's main streets and downtowns. We back initiatives that support businesses in our shore towns since they contribute so much to the state's overall economy. We commend that NJ Transit fares will be held stable for a sixth straight year, however the State needs to devise a stable source of funding for NJ Transit's future operating budget. And we applaud the Governor's announcement to provide parents with increased childcare tax credits, which will enable many parents to get back to work and help ease the workforce shortage.

We need to resolve how New Jersey treats Global Intangible Low-Taxed Income (GILTI). There is legislation currently introduced (A-5323) that would make New Jersey more competitive. We welcome an off-line conversation to discuss this in more detail with you and our member tax experts.

Once again, the New Jersey State Chamber of Commerce calls for our leaders to consider using the \$10 billion surplus judiciously – and only for programs that ensures are economy properly weathers the potentially worsening economic storm brought on by the banking crisis. And, that our companies, especially small ones, are the beneficiaries of the surplus through programs and initiatives that comes to their rescue.

If we are to create a "next" New Jersey, as Governor Murphy noted in his budget address, simply doing more of the same as in previous budgets will make the change difficult. More aggressive actions are needed to improve our image and the way our citizens think about the state. Additional support for the business community will do just that.

As always, the New Jersey State Chamber of Commerce stands ready to work with the State Legislature.

We welcome the opportunity to discuss these ideas and to offer any additional insight during the on-going budget process.

