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To: Chairman Burzichelli, Vice-Chairman Schaer & Members of the Assembly  
Appropriations Committee

From: Christopher Emigholz, Vice President Government Affairs

Date: October 26, 2020

RE: NJBIA Support for A-4853 (Greenwald)

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Good morning! My name is Christopher Emigholz, and I am the Vice President of Government Affairs for the New Jersey Business & Industry Association (NJBIA) covering tax, budget and economic development issues. On behalf of our member companies that provide 1 million jobs in our State and make NJBIA the largest statewide business association in the nation, thank you for posting this bill and for the opportunity to express our **strong support for A-4853**.

Without any action by this Legislature, there is a **looming billion-dollar unemployment insurance (UI) payroll tax increase facing all employers** throughout New Jersey in July 2021 as Labor Commissioner Asaro-Angelo recently testified during the Senate budget hearings and OLS research estimated as per recent news reports. Even worse is the fact that this payroll tax increase would most penalize struggling employers who had layoffs that were beyond their control during the pandemic. Businesses are already down, already facing new taxes and already burdened by new regulations, and this payroll tax increase on top of all of that would further devastate our job creators. Additionally, it is important to keep in mind that a payroll tax increase is potentially worse than other taxes because it is based on jobs.

Luckily, our Unemployment Insurance Trust Fund was in good shape before the COVID-19 pandemic due to the **bipartisan UI reforms that you passed and NJBIA supported years ago**. But the job losses from the pandemic and Governor Murphy's shutdown orders have been overwhelming to an even healthy system. This has forced New Jersey to resort to federal loans leaving the UI fund needing assistance. The current poor shape of the UI fund automatically triggers the aforementioned payroll tax spike, but NJBIA calls on our Legislature to once again come to the aid of the UI system, to pass A-4853 and to do everything possible to avoid this massive tax hike.

UI taxes are determined **two ways**, and A-4853 is well-thought-out legislation that NJBIA supports because it will soften this impending payroll tax increase by addressing both the business-specific experience rating and the rates driven by the overall health of the fund.

1. Holding the business-specific experience ratings harmless for employers that have had to endure layoffs due to COVID-19 in **section one** of the bill will help prevent particularly increased taxes hitting the employers already struggling. If we want to save businesses that are on the brink, section one will help.
2. Slowing down the increase in the columns that determine payroll tax rates for all employers in **section two** will help every employer avoid an enormous tax

increase while the economy is still anticipated to be struggling next year. A-4853 spreads a predictable and more manageable phase-in of the required UI tax increase over time instead of all at once. This will hopefully help employers recover from the COVID-19 downturn before they have to worry about paying the higher UI rates. The bill also thoughtfully includes a downward rate adjustment if the UI fund naturally recovers faster than expected.

Beyond A-4853, NJBIA also urges the Assembly Appropriations Committee and the whole Legislature to strongly consider using any current or future **federal funds** to support the UI fund. The quicker the fund returns to good health, the more likely it is that the worst of the automatic tax increases can be avoided. The State of Georgia just recently used some of its CARES Act funding to shore up its UI fund. NJ can do the same, especially if there is any worry about the requirement to use all of the CARES Act funding in just a few months before the end of the calendar year.

NJBIA looks forward to working with you and the entire Legislature to minimize this billion-dollar tax increase on the horizon and we would be happy to take any questions about it.

