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To: Chairman McKeon, Vice-Chairwoman Lampitt & Members of the Assembly
Financial Institutions & Insurance Committee

From: Christopher Emigholz, Vice President Government Affairs

Date: October 19, 2020

RE: NJBIA **Opposition** to A-4402 (McKeon) – New Financial Transaction Tax
(FTT)

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 the opportunity to express our **opposition to A-4402**. This new financial transaction tax will hurt New Jersey's economic competitiveness and ultimately cost us lost jobs and foregone tax revenue.

Securities Industry Already Dealing with NJ's Tax & Affordability Issues:

The tax climate and the overall affordability of our state is not competitive and that affects job creation and revenue generation – two areas where New Jersey lags. And this bill before you today will only make that worse.

New Jersey just increased the corporate business tax (CBT) in our state to the highest rate in the nation next year. The securities industry taxed by this bill already pays 12% of that worst tax in the nation.

Along with the CBT, our State just increased the income tax rate making our already high state and local tax burden even higher, but the securities industry impacted by this bill already pays \$1.4 billion per year to New Jersey and its local governments.

Financial services firms also offer strong health benefits to its employees and the state just increased taxes on those as well.

This is an industry that pays a lot of taxes to New Jersey and provides many jobs with strong benefits. The securities industry has approximately 38,000 jobs – a number similar to the construction industry in New Jersey. These direct jobs don't even include all of the indirect economic activity caused by this high earnings industry located in our State. It also does not include the significant boost our innovation economy receives by having powerful data centers here. If we are talking about stronger and fairer, we should want more of this – not less. And with the current exodus from New York City that we are witnessing, we should be doing everything we can to capitalize on that by attracting jobs and capital to our State. This bill does the opposite.

So instead of worrying about the empty phrase like “fair share,” New Jersey's policymakers need to think about the collateral damage that high taxes and affordability

issues, like what we already have and propose to make worse, have on the securities industry and the whole economy.

Mobility of Securities Industry:

Instead of thinking that the securities industry in our State is a captive industry to tax like oil in Texas and Alaska, it is important to understand that any industry based on technology and not natural resources is mobile and can easily leave the state. We saw examples of similar taxes in Europe backfiring. That leaves us with a bigger income tax on nothing, a bigger CBT on nothing and a shiny new FITT on nothing. We are seeing how that “nothing” could materialize with the exchanges subject to this tax showing in recent weeks how easily they could operate in other states.

Not Tax on Wall Street But On Building Block Investments of Economy:

In addition to hurting our competitiveness, it is also important to not think about this as a tax on Wall Street or big banks, but instead a tax on everyday activities that are the cornerstone of our economy. We need to consider the financial transactions that occur within our pension funds and how much retirees depend on their investments. This is a tax on down payments for a first home or first car. This tax will make saving for college more expensive. This is a tax on putting money away to start a family.

Fiduciary Duty:

And layered on top of all these negative impacts of the FITT on this important industry is the fact that there is a fiduciary duty in the industry to put clients’ financial interests ahead of their own. It does not matter if policymakers think these firms are bluffing and won’t leave our State, because they have to if it is going to cost their clients too much money. It does not matter if you don’t think that these taxes will make us less competitive than other states, because they are not allowed to stay here if it means wasting their clients’ money.

Conclusion:

Businesses engaged in the financial transactions that the Legislature is considering taxing in A-4402 are important to our State both in terms of jobs and revenue, and this new tax jeopardizes our natural advantages to keep these businesses here and growing.

NJBIA asks for you to vote “no” on this new tax and looks forward to working with you and the entire Legislature to figure out we can make our state more affordable and address future fiscal issues with **structural reforms instead of uncompetitive taxes like a financial transaction tax.**