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Re-Cap of the Jan. 21, 2020 Joint NJBIA/Chamber Taxation & Economic Development Committee Meeting

The meeting featured four insightful presentations: a Division of Taxation Update, a New Program in Treasury's Division of Revenue and Enterprise Services, NJBIA's Legislative Update, and Senator Declan O'Scanlon's Legislative Update.

Division of Taxation Update:

Director John Ficara and his staff talked about several upcoming tax administration changes. They are excited about an integrated tax system to modernize tax administration, and proposals for that are being sent out soon. They have also been working with the business community on recent corporate business tax changes to combined reporting through a workgroup. This is an NJBIA priority, and we are working with the Governor's Office and Legislature to move forward on a technical corrections bill that Taxation and business support. For example, the technical corrections bill would cut the length of the tax return form in half and eliminate some of the forms entirely.

The group also discussed the corporate business tax (CBT) filing extension granted in 2018 and whether that should become more of the normal course of working with Taxation. NJBIA is now looking into how such a change could be done—through statute, regulation or just a policy change.

Taxation staff announced that new proposed regulations are coming out soon for market-based sourcing. Their goal is to release it in March with a 60-day comment period to follow. Taxation staff also said special adoption regulations will be coming soon for GILTI (Global Intangible Low-Taxed Income), FDII (Foreign Derived Intangible Income) and research and development tax credits, while more technical bulletins will be released for combined reporting and net operating losses (NOL). NJBIA will keep you updated on all of those.

Taxation staff want to start a workgroup on the new pass-through law creating a Business Alternative Income Tax (BAIT). They said implementing the law will be an administrative headache but understood why NJBIA and the business community supported it. There was some discussion as to whether the IRS would allow this new workaround of the recent SALT deduction limitations, and the consensus was that this was more likely to pass IRS muster than the personal charitable giving workaround, but it was not a certainty. Please let me know if you have concerns or operational questions about this new law that could save many businesses money. Your feedback will assist with regulatory guidance.

Taxation reported on their progress cleaning up old tax appeals. There was also some brief discussion about a recent court decision on point of sale enforcement and some federal work on multistate carbon/transportation taxes.

New Program in Treasury's Division of Revenue and Enterprise Services:

Director Jim Fruscione reported to the joint committee about his office's new initiative to streamline business reinstatements and dissolutions. This had always been a cumbersome process, but it is being streamlined from March through June this year to try to encourage compliance, generate new revenues, and clean up the lists of existing businesses. Thousands of entities currently are registered as businesses, have no tax liabilities and are no longer in business, so this process can hopefully help them dissolve or reinstate their business. The division is also going to explore how to handle filers that are unauthorized businesses with the state but file their returns with the state.

NJBIA will send out updates to the business community as it becomes available.

NJBIA Legislative Update:

NJBIA remains committed to addressing lingering CBT policies such as GILTI and NOL as New Jersey is an outlier on these policies. NJBIA is also advocating for a purely technical corrections bill regarding combined reporting.

As mentioned above, NJBIA was very happy that the pass-through bill was signed into law and now looks forward to working with Taxation to help this new law reduce the tax burden for small businesses.

NJBIA continues to be concerned that New Jersey is an outlier in not having a comprehensive tax incentive program, since the previous one expired several months ago amidst some political debate about it. Multiple proposals with many similarities are floating around Trenton. These include the Governor/EDA proposal in Gov. Phil Murphy's conditional veto of the bill to extend the existing program; the Senate proposal being pushed by former Senators Ray Lesniak and Joe Kyrillos; and the proposal being worked on by Assemblywoman Eliana Pintor Marin. NJBIA is engaged with each version and hopes the common pro-business elements can be focused on a compromise.

Unfortunately, it sounds like Governor Murphy plans to include another millionaires tax increase in his upcoming FY21 State Budget Proposal. This is concerning, especially in light of state revenues remaining well ahead of budgeted projections.

Senator O'Scanlon's Legislative Update:

As a Republican on the Senate Budget and Appropriations Committee in a state government run by Democrats, Declan O'Scanlon is expected to play the role of fiscal conservative. But in New Jersey, it's not just the spending lawmakers approve every year, it's also the spending that is baked into numerous statutes enacted over decades.

So for O'Scanlon, government spending is a binary issue: One either supports changing the structure of state and local governments so they're not so expensive to run, or one supports massive tax increases to continue paying for the current system. The senator made it clear he is in the change-government camp.

[For the full summary, please click here.](#)

Please let me know if you have further questions about anything that may have been discussed at this meeting, and I look forward to seeing you at a future meeting.



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