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To: Chairwoman Swain, Vice-Chairman Mukherji & Members of the Assembly
Appropriations Committee

From: Christopher Emigholz, Vice President Government Affairs
(cemigholz@njbia.org)

Date: June 14, 2022

RE: NJBIA Testimony in **Strong Support of Merged A-3683/A-2152 (Freiman, Greenwald, Chaparro, Tully, Dancer)** – Business Relief from Impending Billion Dollar UI Tax Increase

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 make NJBIA the largest statewide business association in the nation, thank you Chairwoman Swain for posting these bills today and allowing us the opportunity to express our **very strong support for this important merged bill that Assemblyman Freiman and Majority Leader Greenwald have put together – A-3683/A-2152.**

Previous Legislation Great First Step, But Not Enough

First of all, NJBIA thanks you, the entire Legislature and Governor Murphy for making A-4853 (Greenwald, Mazzeo, Verrelli)/S-3011 (Madden, Sweeney) into law last session to soften the billion-dollar unemployment insurance (UI) payroll tax increase by phasing it in over three years instead of it occurring all at once. But the payroll tax is still in the process of increasing significantly because of a pandemic and government-mandated shutdown to protect public health that was thrust onto employers through no fault of their own. The business community, especially many smaller businesses, still needs more relief from these taxes and other pandemic challenges. We do not do enough for business affordability in this proposed state budget, and this bill will address that lack of affordability and assist New Jersey's COVID-19 recovery.

Affordability

A-3683/A-2152 also aligns nicely with the Legislature's recent bipartisan and bicameral affordability agenda. UI payroll taxes are a tax on jobs that every employer (except for some nonprofit employers) pays. If you employ someone, you pay it and you pay any increases regardless of whether you lost income. It is NOT a tax on income or property or corporate profit or wealth, but a tax on the mere existence of a job. At a time when we want to recover the jobs lost due to the pandemic and many businesses have lost significant income during the pandemic, the state should not be in the business of making job creation and job retention less affordable. Worse yet, other states have taken UI actions to make job creation more affordable, so New

Jersey's competitive position will be hurt unless we pass bills like this. This is one of the important things you can do for business affordability this June.

Legislation Overview

NJBIA supports the merged bill in front of you today that does the following:

- 1) Small business tax credit to offset UI tax increases
- 2) Paying off federal loan to avoid unnecessary interest and an additional federal UI tax increase
- 3) Better UI transparency

Small Business Tax Credit to Offset UI Tax Increase

Providing a tax credit to small businesses, per the federal Small Business Administration definition, for any UI tax above the current column C will offset the tax increases to columns D and E in the next few years for most New Jersey employers. These two increases are more onerous than the tax increase to column C that employers experienced this year, so the tax credit is a good compromise, wiping away more than two-thirds of the tax increase for most employers. The UI fund will also become more solvent while focusing on small businesses, making sure they are not impacted by its tax increase.

NJBIA has requested and hopes that the small business definition could be **amended** to include more hospitality businesses in addition to just small businesses, as hospitality businesses were hit the hardest during the pandemic and are also often hit harder by UI taxes than others. We appreciate anything the Legislature could do to expand the eligibility for the tax credits.

Paying Off Federal Loan to Avoid a Federal UI Tax Increase

NJBIA appreciates Majority Leader Greenwald's attempt in A-2152 to use federal pandemic aid to pay off the federal UI advance, just as the majority of states in the nation deposited some of their federal aid into the UI fund. The merged bill's outside-the-box compromise idea to pay off the federal loan with a new fund instead of federal aid could also be a good idea. Importantly, paying off that loan will stop wasting millions of New Jersey taxpayer dollars on unnecessary interest as well as avoid a federal UI tax increase that occurs when states have federal UI loans that last too long. Not paying off this loan as soon as possible when our state is swimming in billions of surplus and federal relief aid would be akin to putting and leaving money under your mattress instead of paying off credit card bills to avoid unnecessary and burdensome interest and fees.

Transparency

Last summer, employers were retroactively notified that their UI tax rate had gone up weeks after they were supposed to have started collecting the higher tax. Ensuring that the New Jersey Department of Labor & Workforce Development gives employers better notice would be helpful for business planning purposes.

Pausing at Column D of UI Tax Increase

NJBIA did appreciate Majority Leader Greenwald's A-2152 pausing the UI column increases at column D and appreciates his new bill to do the same. The most onerous UI increase is the shift from D to E where the most stable employers actually see their UI payroll tax rate double, so avoiding that would provide significant help and save state revenue because of the new tax credit. NJBIA understands that this had to be dropped in the merged compromise bill, but we respectfully ask you to consider that very helpful column D pause in future legislation.

Conclusion

NJBIA thanks you all for the consideration of our perspective and thanks you for the posting of the bill in committee today and for a full General Assembly vote on Thursday. We ask you to vote “yes” on this critically important bill that is both pro-business and pro-job. Please let me know if you have any questions.