

CBT

Bringing Clarity to the Sunset



FICTION

FACT



Sunsetting NJ's 2.5% CBT surtax is a tax break.



The CBT surtax was intended to be temporary and is now scheduled to sunset. As Gov. Murphy rightly says, "A deal is a deal."



The sunset of the CBT surtax is a "giveaway" to "megacorporations."



NJ's current CBT rate of 11.5% is the highest in the nation. Even without the surtax, NJ's CBT rate will be 9.0%, 4th highest in the nation. NJ has also ranked last in the nation for business tax climate by the Tax Foundation for six straight years.



The sunset of the CBT surtax will "blow a hole in the budget."



NJ currently has a \$10 billion surplus. Estimates on CBT revenue declines do not account for the stimulated economic activity resulting from the reduced CBT rate, including job growth and reinvestment.



Corporations must be taxed to fund affordable housing, public transportation, schools and services.



As previously stated, NJ corps are already the highest taxed in the nation. Just as importantly, a recent GSI analysis shows states like North Carolina and Indiana had increased state revenues, worker salaries, and number of businesses after lowering their CBT.



There is no data showing the economic benefits of lowering the CBT.



There are tons of it. As just a small sample of a recent GSI analysis:

- Since the year before North Carolina's CBT cuts became effective in 2013, employment has grown 16.5%, or 1.85% annually, in under a decade.
- Scaling those results to NJ's workforce size, our state would see an additional 750,000 jobs within the next 10 years.
- In the same time frame North Carolina's total private business establishments expanded 32.7%, or 3.2% annually.
- A federal analysis by the Council of Economic Advisors also finds data that lower CBT rates incentivize capital investment, leading to overall higher demand for workers and more productive labor and wage growth.



"Only" 2,500 corporations pay the CBT surcharge.



The number is accurate. But the context missed is they account for millions of jobs in the state. And NJ should want to keep and grow as many as possible here.



The CBT surtax sunset will only benefit "megacorporations."



When a large company downsizes or leaves the state, it has a direct impact on NJ small businesses who feed their supply chain. It also directly impacts social service organizations and nonprofits who depend on the philanthropy of larger companies.



Corporations are looking for a free ride with CBT.



NJ corporations have no illusions that they'll be even in the lower third of the nation for CBT. However, they are looking for some balance. NJ remains a national outlier on CBT even after the sunset and needs to be more nationally competitive.



Corporations do not consider taxes when deciding where they locate, relocate or expand.



Site-selection experts state that businesses absolutely consider taxes when deciding upon location or expansion. Without question, NJ has many positives in terms of location, infrastructure and workforce. But our business tax structure does serve as a deterrent, particularly when neighboring Pennsylvania is on a path to reducing its CBT rate to 4.99%.