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March 25, 2024

Dear Members of the New Jersey Legislature,

As leaders of our state's major business associations covering sectors and regions throughout the Garden State, the New Jersey Business Coalition (NJBC) broadly representing the state's diverse business community strongly urges you to **oppose Governor Murphy's proposed billion-dollar business tax increase and new Warehouse Fee tax increase** within his FY25 state budget proposal that are unnecessary and will do significant harm to New Jersey's overall business climate.

Governor Murphy's proposed Corporate Transit Fee is a permanent and retroactive restoration of the expired Corporate Business Tax (CBT) surtax amounting to a 2.5 percentage point surtax (a 20% tax increase) on corporations with over \$10 million in earnings. This would amount to a business tax increase of over \$1 billion for FY25 and more than \$800 million per year after FY25. That would give New Jersey the highest state corporate tax rate in our nation by far and the only state rate in double-digits.

This action further hurts New Jersey's economic competitiveness for the creation and attraction of jobs and capital because corporations can pick and choose their investment locations based upon where they get the best return on investment.

Adding to its negative impact on competitiveness, Pennsylvania, New Jersey's neighbor to the west, a state that we already compete with for jobs and capital, is in the middle of a bipartisan and multi-year path to cut its corporate tax rate in half from 9.9% to 4.9%. Further other states like North Carolina, Indiana and Iowa have recently demonstrated the clear job and new business creation benefits of lowering their corporate tax rates.

New Jersey's business climate already has an unrelenting tax environment. We are the only state in the nation that is in the top tier of the four major taxes with the highest corporate tax rate if this proposal becomes law (still the fourth highest if it does not), the highest property taxes, among the highest top individual income tax rates and a high state sales tax rate. If you in the State Legislature want to improve our economy and organically grow our revenues to be able to pay for things like Stay NJ, then this tax increase is certainly not the answer.

This massive 20% business tax increase is especially difficult to understand and harmful for our business climate, because Governor Murphy publicly acknowledged in a radio interview just weeks before his budget proposal that New Jersey's corporate taxes were already high and that the corporate business surtax hurt our state competitiveness. What changed?

Businesses need predictability, stability, and certainty to properly budget and plan for growth and/or slowdowns. Investments cannot be made absent that. This type of roller-coaster tax policy with a last-minute, retroactive about-face on a temporary tax that just sunset per statute breeds mistrust and hurts our image to employers considering investing, expanding or relocating. The dedication to NJ TRANSIT is also poor public policy. Despite the business community's staunch support for transportation investment, dedicating a corporate tax to NJ TRANSIT does not make sense for three reasons and should be rejected.

1. CBT is a very volatile revenue, one of the most unstable revenue sources in the New Jersey state budget. If we truly value transportation, then we should find a stable revenue source for it.
2. There is no nexus or a weak nexus at best between the CBT and transportation in many areas of New Jersey, and no other state dedicates a corporate tax to a mass transit agency. Why would CBT payers in South New Jersey or Northwest New Jersey pay for a NJ TRANSIT system they and their employees do not use?
3. A "dedication" implies permanence, and making a CBT increase permanent exacerbates its negative impact on businesses and competitiveness. Those affected by this new 20% business tax get a double hit that was not the case with the prior temporary surtax. It is a cash tax increase and also a hit to a company's balance sheet and stock value for publicly traded companies.

This business tax increase is also unnecessary. First, the New Jersey state budget has a spending problem and not a revenue problem as evidenced by the simple fact that the budget has grown more than 60% in just seven years. That spending problem can also be seen by last year's additional late-night, last-minute spending increases that totaled more than this tax increase would generate. Additionally, NJ TRANSIT's fiscal cliff that this FY25 business tax increase is supposed to fill is not until FY26, so why collect a billion dollars from our taxpayers before you need them? This is money that should be invested by our affected companies in their workforce, facilities, and communities rather than sit in surplus.

Further, it is unnecessary because the proposed New Jersey budget has a healthy \$6.1 billion surplus. Governor Murphy deserves credit for building up that surplus so that it can be a fiscal policy tool to stabilize spending and taxes. A surplus should be used for a rainy day and if a billion-dollar tax increase is truly needed, that probably means you may already be in that rainy day. This proposed billion-dollar tax increase with a healthy surplus is akin to unnecessarily raising taxes just to put more money in the bank. Taxes should only increase when there is the need, not when it is just a want as it would seem in this proposal.

The proposed budget also includes an unnecessary, anti-business \$10 million tax listed as a Warehouse Fee on New Jersey's important logistics industry. This tax will further hurt the competitiveness within many important sectors of our economy - retail, manufacturing, logistics, and other industries that work with them. In practicality, this is a tax on every item that goes into any box in New Jersey. This ill-conceived tax is punitive and does not seem to serve any public policy goal given the scant detail that has been provided on how the money will be utilized. As such, this tax must also be rejected.

The two proposed tax increases further hurt our business climate and will ultimately do more harm to our shared goals of growing our budget revenues than the shorter-term degenerating revenues estimated to be generated. Based on all the above reasons, the undersigned organizations respectfully urge you to **oppose the two proposed tax increases (CBT increase and Warehouse Fee) and find alternatives to balance the FY25 state budget including further controlled spending**. Our organizations stand ready to work with the Legislature to find long-term solutions that would be jointly beneficial to the state budget, our economy, employees and employers alike. Thank you for taking our concerns into consideration. If you have any questions or would like to further discuss, please contact NJBIA's Chief Government Affairs Officer, Christopher Emigholz at [cemigholz@njbja.org](mailto:cemigholz@njbja.org).

Sincerely,

African American Chamber of Commerce of New Jersey, Inc.  
American Camp Association NY/NJ  
American Institute of Architects  
New Jersey Camps Government Affairs Project  
American Council of Engineering Companies of New Jersey  
American Physical Therapy Association of New Jersey  
Atlantic County Economic Alliance  
Bernards Township Regional Chamber of Commerce  
Big I New Jersey  
BioNJ  
Burlington County Regional Chamber of Commerce  
Cape May County Chamber of Commerce  
Capital Region Minority Chamber of Commerce  
Central Ocean Business Association  
Chamber of Commerce of Greater Philadelphia  
Chamber of Commerce Southern New Jersey  
Chemistry Council of New Jersey  
CLB NJ  
Commerce and Industry Association of New Jersey  
Downtown New Jersey  
Early Childhood Education Advocates  
Eastern Monmouth Area Chamber of Commerce  
Employers Association of NJ  
Fuel Merchants Associates of NJ  
Garden State Initiative  
Garden State Pharmacy Owners, Inc  
Gateway Chamber of Commerce  
Global Business Alliance  
Gloucester County Chamber of Commerce  
Greater Atlantic City Chamber of Commerce  
Greater NJ Motorcoach Association  
Greater Lehigh Valley Chamber of Commerce  
Greater Toms River Chamber of Commerce  
Greater Westfield Area Chamber of Commerce  
Health Care Association of New Jersey

Hoboken Chamber of Commerce  
Home Care & Hospice Association of New Jersey  
Home Health Services Association of New Jersey  
Hudson County Chamber of Commerce  
Hunterdon County Chamber of Commerce  
Insurance Council of New Jersey  
International Health, Racquet and Sportsclub Association  
Jersey Shore Partnership  
Mahwah Regional Chamber of Commerce  
Marine Trades Association of New Jersey  
Medical Society of New Jersey  
Middlesex County Regional Chamber of Commerce  
Meadowlands Chamber  
Monmouth Ocean Development Council  
Morris County Chamber of Commerce  
NAIOP-NJ  
National Federation of Independent Business (NFIB)  
Newark Regional Business Partnership  
New Jersey Apartment Association  
New Jersey Association of Osteopathic Physicians and Surgeons  
New Jersey Association of Mental Health & Addiction Agencies  
New Jersey Bankers Association  
New Jersey Builders Association  
New Jersey Business & Industry Association  
New Jersey Campground Owners and Outdoor Lodging Association  
New Jersey Civil Justice Institute  
New Jersey Coalition of Automative Retailers  
New Jersey Concrete and Aggregate Association  
New Jersey Dental Association  
New Jersey Fitness Alliance  
New Jersey Food Council  
New Jersey Gasoline-Convenience-Automotive Association  
New Jersey Hotel and Lodging Industry Association  
New Jersey Independent Electrical Contractors Association  
New Jersey LGBT Chamber of Commerce  
New Jersey Liquor Store Alliance  
New Jersey Licensed Beverage Association  
New Jersey Manufacturing Extension Program, Inc.  
New Jersey Motor Truck Association  
New Jersey Pharmacists Association  
New Jersey Podiatric Medical Society  
New Jersey Restaurant & Hospitality Association  
New Jersey Retail Merchants Association  
New Jersey Salon and Spa Coalition  
New Jersey Society of Certified Public Accountants  
NJ Small Business Coalition  
NJ Society of Optometric Physicians (NJSOP)  
New Jersey Staffing Alliance

New Jersey State Funeral Directors Association  
New Jersey State Veterans Chamber of Commerce  
New Jersey Tourism Industry Association  
New Jersey Utilities Association  
New Jersey YMCA State Alliance  
New Jersey Warehousemen & Movers Association  
New York Shipping Association, Inc.  
North Jersey Jewish Business Alliance  
North New Jersey Chamber of Commerce  
Ocean City Chamber of Commerce  
Princeton Mercer Regional Chamber of Commerce  
Recreational Fishing Alliance  
Salem County Chamber of Commerce  
Somerset County Business Partnership  
Southern NJ Development Council  
Sussex County Chamber of Commerce  
TechUnited:NJ  
The American Planning Association - NJ Chapter  
The United Boatmen of N.J.  
Union Township Chamber of Commerce  
United Way of Northern New Jersey  
Utility & Transportation Contractors Association  
Washington Borough BID