

Government Affairs Report

Governor Christie Signs Pro-Business Legislation

In late April, Governor Christie signed S-2753 and S-2754 to provide targeted tax relief to improve New Jersey's business climate. When the Governor laid out his budget proposal for next fiscal year, he proposed a \$200 million package of tax reforms and incentives to boost our State's economy. Specifically, S-2753 (Whelan, Oroho, Greenwald, Pou) modifies the corporation business tax formula used to determine the portion of the income of a corporation subject to tax by the State of New Jersey from a three-factor formula to a single sales factor formula. Current State tax law employs a three-fraction formula that apportions a share of a corporation's income to this State based on a weighted average of the following fractions: 1) a corporation's property in this State over the corporation's total property; 2) a corporation's sales in this State over the corporation's total sales; and 3) the corporation's payroll in this State over the corporation's total payroll. Currently, the sales fraction accounts for 50% of the apportionment and the property and payroll fractions each account for 25% of the apportionment. S-2753 replaces the three-factor formula with a single sales factor formula, phased in over three years, with privilege periods beginning on or after January 1, 2012. The sales fraction in 2012 will account for 70% of the apportionment and the property and payroll fractions will each account for 15% of the apportionment. For periods beginning on or after January 1, 2013, the sales fraction will increase to 90% and the property and payroll fractions will each account for 5% of the apportionment. For periods beginning on or after January 1, 2014, the sales fraction will account for 100% of the apportionment. S-2754 (Buono, Oroho, Greenwald, Pou) establishes an alternative business calculation under the gross income tax as a mechanism that permits taxpayers who generate income from different types of business entities to offset gains from one type of business with losses from another, and permits taxpayers to carry forward business-related losses for a period of up to 20 taxable years. The Governor and the Legislature fostered bipartisan consensus on these important business tax reforms, which will improve the State's business climate and potentially spur economic growth. *For more information, please contact the Association office.*

Searchable State Database for Public Bidding Opportunities

S-2065 would create a searchable Internet database, known as "Bulletin-NJ," that would provide up-to-date information on State government procurement opportunities published by a contracting unit. Under the legislation, the database would be created by the Division of Local Government Services within the Department of Community Affairs, in consultation with the Office of Information Technology. This pertinent information would be organized primarily by the name of the contracting unit publishing the project listings and/or requests for proposals. The Internet-based program would be brought on line by March 1, 2012. Governor Christie conditionally vetoed this legislation several weeks ago, but agreed to work with the sponsors to craft legislation that could assist NJ businesses in procurement opportunity searches. Governor Christie sent forth small changes to the bill by removing State government employment opportunities from the potential database, and pushing back the implementation date. The Senate received and accepted the Governor's changes in late April. The bill needs final approval by the Assembly before heading back to the Governor for signature. *For additional information, please contact the Association office.*

Unemployment Insurance Fund Status

As you know, NJ's Unemployment Insurance Fund has been operating in the red since March 2009. To date, NJ has borrowed approximately \$2.7 billion from the federal government to pay benefits to unemployed residents in our State. An automatic trigger within the Department of Labor and Workforce Development, similar to the one employers experienced last fiscal year, would call on all NJ employers to replenish these borrowed funds by raising unemployment insurance payroll taxes. A statutory formula exists where employers face increases depending on the health of the fund. Legislation has been introduced, S-2730 and A-3819, to phase in the increases in payroll taxes. The recently introduced legislation would give the Department the statutory authority to phase in increases of approximately \$130 per employee, per year, over the course of the next three years. BCANJ will remain active in discussions with NJ DOLWD leadership and members of the Senate and Assembly labor committees. *For additional information, please contact the Association office.*

CRDA Takes Action in AC-Region

The Casino Reinvestment Development Authority (CRDA) approved close to a dozen measures in mid-April that implement vital elements of the Governor's and the NJ Legislature's plan to rehabilitate Atlantic City and surrounding areas. Some of the measures approved by CRDA include creation of the tourism district, negotiation of a public private partnerships with the casino industry, establishment of several funds that will assist in promoting the region, establishment of a land use regulation and enforcement division, and several other important initiatives. These actions were taken in lockstep with the Administration, which has charged CRDA with improving public safety, marketing and infrastructure.

Regulatory Reform Bills Signed Into Law

Governor Christie signed legislation into law in early April that will streamline the permitting process for certain economic development projects. State agencies will be required to examine and identify permits that cost more to administer than the benefits they provide, or are no longer necessary without endangering public health. Another regulatory reform initiative signed into law in April allows regulations to be changed once they have been proposed. Before this measure was signed, a State agency was required to start the entire rulemaking proposal process from scratch if substantial changes were recommended from the private sector. *Read more about the Christie Administration's regulatory reform efforts in Building Contractor Magazine Vol. 1-2011, recently released.*

Voters Approve School Budgets Under New Property Tax Cap

Voters approved nearly 80% of the proposed school budgets in elections across the state on Wednesday, April 27, 2011, due in part to the new 2% cap on tax levy increases signed into law last July. Of the 538 school districts that proposed annual base budgets, 429 (79.7%) saw their budgets approved. Last year, only about 41% of the proposed school budgets were approved. In eight districts, however, the 2% cap didn't play a role as those districts approved second-ballot finance questions that asked voters to decide on school spending beyond the base budget. A total of 11 districts had asked for such additional spending, but three districts voted against it – Franklin Township in Hunterdon County, Monroe Township in Middlesex County and Sparta Township in Sussex County. Also in this election, for the first time municipalities could ask voters to approve non-school spending over the 2% cap – and voters rejected 12 of the 14 municipal requests to exceed the cap.