

# INITIATIVE

## The Pulse of New Jersey Business

### Corporate Tax Cuts and Tax Credits Means Financial Relief

It is no surprise that the highest tax burden in the country has driven people and jobs out of New Jersey in substantial numbers. Between December 2008 and December 2009, more than 114,000 private sector jobs were lost according to the State's FY 2011 Budget in Brief. This trend continued into 2010 with another 9,100 jobs lost in January – aided by the sluggish economy.

Even more telling, a recent study by the Boston College Center for Wealth and Philanthropy revealed that more than \$70 billion in wealth left our State between 2004 and 2008 as people sought safer havens from rising taxes. The ripple effect has caused a draining of the human capital pool and reluctance on the part of companies to expand or set up shop and do business here.

With an aggressive – and occasionally controversial – budget plan, the new administration has pledged to reduce spending, shrink government and stimulate the States' economy. By cutting corporate taxes, the administration hopes to enable New Jersey companies to retain more revenue and create new jobs – outcomes essential to the rejuvenation of the private sector. Proposed tax-cutting initiatives include:

#### Reduction in the corporate business tax rate to:

- Increase competitive advantage
- Improve the business climate
- Attract private-sector investment



*Cutting corporate taxes to enable New Jersey companies to retain more revenue and create new jobs are the cornerstones of this strategy.*

The 2011 State budget also reflects the expiration of the 4 percent surcharge tax that was originally added to the 9 percent corporate tax in 2006. It is expected that freeing up this additional capital will result in the hiring of new workers and energize local economies.

## Elimination of the Hidden “Investment Tax”

In addition to being taxed on total sales, this tax factors in the level of investment (real estate, payroll, etc.) a company has in New Jersey. This policy will change through the enactment of a “single-sales” factor to improve the competitive advantage of the affected companies.

## Removing the double taxation on New Jersey S-Corporations

There are approximately 80,000 organizations that currently pay a corporate “minimum” tax, up to \$2,000 per year, on their gross receipts. Eliminating this tax will bring the State in line with 47 other states and the federal government who have already implemented this policy.

## Trimming Unemployment Benefits

To help relieve the corporate tax burden, it has been proposed that the maximum weekly unemployment benefit be reduced from \$600 to \$550 and that a one-week waiting period be instituted before benefits can be received. Even with this measure, New Jersey would still rank as the third highest provider of unemployment benefits in the nation.

In addition to the new business tax cuts, your company, depending on business type and location, might qualify to receive tax credits from a wide range of programs offered by the State to help you operate more efficiently and improve cash flow. These include, but are not limited to, the following:

- Neighborhood Revitalization State Tax Credit supports urban development by enabling corporate taxpayers that contribute financial aid to non-profit sponsors to receive a tax credit that can be applied to offset their corporate business tax liability.
- Research and Development Tax Credit enables companies that increased their qualified research (scientific experimentation or engineering activities designed to assist in the development of a new or improved product, process, technique or formula held for sale, lease or use by the company in a trade or business) performed in New Jersey to claim this credit.

- Manufacturing Equipment and Employment Investment Tax Credit rewards companies who have invested in qualified manufacturing equipment during the tax year in which the investment was made and the two following tax years. The employment investment portion is valid for the two years following the tax year in which the investment was made with established formulas applied to calculations.
- New Jobs Investment Credit is available to companies who invest in new or expanded operating facilities that generate new jobs within the State (50 for larger businesses). New investment is not considered eligible to receive the credit unless the average value of all real and tangible personal property in this State increased over the previous year.

The economy remains a challenge, but a recovery is inevitable. Familiarizing yourself and your management team with the scope and implications of the tax cuts, along with how to qualify for, and capitalize on, the specific tax credit programs that apply to your business, can put you in a stronger financial position to succeed.

**Initiative** is a series of executive reports prepared exclusively for New Jersey business leaders by Sun National Bank. Each issue is intended to share relevant news on timely business topics and trends. To learn more and to arrange an informal consultation, please speak with a Sun Relationship Manager at **1.800.SUN.9066** or visit any of our more than 60 locations throughout New Jersey.



**“...your company might qualify to receive tax credits from a wide range of programs offered by the State.”**