

Legislative Update

STATE GOVERNMENT DEVELOPMENTS ON THE COMMERCE FRONT

Economic Stimulus Legislation

In response to the economy's decline, the State Legislature and Governor enacted several business-friendly initiatives at the end of 2008, by investing more than \$320 million in State spending. These initiatives include:

- **S-4 Sarlo/Turner** and **A-3377 Schaer/Fisher** (entitled "The Main Street Business Assistance Program") provides \$50 million for working capital loans and lines of credit for small and medium sized businesses. The two-year program, administered through the NJ Economic Development Authority (NJEDA), provides credit enhancements through a combination of bank and NJEDA financing.
- **S-3 Codey** and **A-2722 Vas/Greenwald**, which provides \$150 million in reduced State tax revenues by repealing the so-called "throw-out rule and the regular place of business" requirement under the State corporate business tax law. This initiative thereby eliminates costly requirements on businesses; this lowers multi-state corporations' tax liabilities in New Jersey.
- **A-3294 Milan/Albano/Vas/Greenwald/Greenstein** and **S- 6 Buono/ Turner/ Van Drew** which establishes "**Invest NJ,**" allocating \$50 million for the \$3,000 jobs tax credit for small employers (with at least five employees or more) that create new jobs; an additional \$70 million is channeled towards capital improvement grants for employer expenditures of \$5,000 or more. The program extends for two years during this economic recovery period.
- **S-2130 Codey/Buono** and **A-3124 Greenwald/McKeon/Vas/Pou** which allows businesses to extend the net operating loss carry-forward from seven to 20 years. This change mirrors the federal tax code and makes New Jersey more competitive with other states' tax codes.

State Budget

The Governor announced his \$29.8 billion Fiscal 2010 State Budget on March 10 providing the Legislature with a snapshot of its key components, which include:

- Imposing a one year five percent surcharge on income tax liability for New Jersey residents with incomes exceeding \$500,000 annually;
- Extending the corporate business tax (CBT) surtax relating to corporate business tax liability for one additional year in lieu of allowing its expiration at the end of this fiscal year.
- Providing \$270 million for the Unemployment Insurance Trust Fund which borders near insolvency. The deficit in this fund will trigger a payroll tax increase estimated at \$75-\$85 for each employee.
- Eliminating property tax rebates, and limiting the rebates to seniors, disabled individuals, and those earning less than \$75,000 annually.
- Imposing additional taxes on liquor, wine and cigarettes.
- Decreasing municipal aid by two percent but increasing direct aid to school districts by \$300 million.

- Freezing the salaries of state workers and proposing unpaid furlough days.

Federal Funds to New Jersey

New Jersey received \$206.8 million in federal funds from the federal Department of Labor on March 27. These funds will immediately be used to bolster the State's dwindling Unemployment Insurance Trust Fund. Certain Governors in other states did not take monies because of the new conditions attached to these federal dollars. To be eligible for funding, states have to adopt changes in the way unemployment insurance eligibility is calculated; New Jersey must provide the benefits to part-time workers and to workers who are in job training. It also extended the number of weeks unemployed workers can receive benefits.

Under the federal American Recovery and Reinvestment Act (ARRA), \$787 billion will be allocated across the nation for job stimulus and economic recovery. New Jersey will receive an estimated \$17.5 billion in total benefits during the next three years. Individuals and businesses in New Jersey will receive about \$7.3 billion in the form of tax cuts while the remaining \$10 billion will be allocated for infrastructure investment and other critically-needed services.

ECONOMIC DEVELOPMENT AT THE FEDERAL LEVEL

FY 2009 Omnibus Appropriations Act

The U.S. Congress and President Barack Obama enacted the FY 2009 Omnibus Appropriations Act on March 10. In light of the current national recession, \$110 million was appropriated for the national Small Business Development Centers program. This represents a \$13 million increase over the funding level in FY 2008, which stood at \$97.1 million.

The national Small Business Development Centers program has a distinguished track record in creating and saving jobs across the nation and returning tax revenues to both the national and State Treasuries and its taxpayers. In fact, for every \$1 dollar invested by the federal government in the SBDC program, \$2.50 in new tax revenue is returned to the taxpayer.

Federal Economic Stimulus Package

The federal economic stimulus package allocated additional monies for small business assistance and loans through the federal Small Business Administration (SBA). The U.S. Treasury Department and SBA also collaborated to unlock credit in the secondary markets to encourage small business credit. Key highlights of the recovery efforts include:

- Providing \$375 million for temporarily eliminating or reducing fees for borrowers and raising guarantees up to 90 percent on SBA's 7(a) loan program to help provide banks with greater confidence to extend credit to small business owners during the current recession;

- Allocating \$255 million for a new loan program to help small business meet existing debt payments and \$30 million for expanding SBA's Micro-loan program to help finance new lending and technical assistance grants to micro-lenders.
- Committing up to \$15 billion to help unlock the frozen credit markets by purchasing small business loan securities to unlock secondary markets, thereby, freeing up more capital to jumpstart lending for small business owners;
- Providing \$15 million for expanding SBA's Surety Bond Guarantee Program; and increasing SBA-backed surety bonds up to \$5 million for small businesses, which are competing for construction and service contracts, in lieu of the previous \$2 million maximum surety bond guaranteed by SBA.