

How to Retain and Attract Businesses to New Jersey



Any plan to make our state more business-friendly needs dollars and sense details, and this special report offers valuable insights and suggestions.

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BY ANTHONY RUSSO
PRESIDENT, CIANJ

NEW JERSEY has a lot going for it, from an enviable location to a well-developed workforce to a transportation network that connects it with many key centers of commerce. But high taxes, regulatory burdens and other issues are hurting the state's ability to attract and retain businesses. New Jersey needs creative solutions and incentives to reach out to companies that—thanks to technology—could break ground anywhere. One challenge we all face is the high cost of doing business, which hurts New Jersey's competitiveness. New companies need to be nurtured and supported, and that means our state government has to re-think bankrolling its agenda on the backs of businesses. It means enacting business-friendly policies, lowering business taxes and curtailing excessive environmental regulations so the companies that are already here don't leave for lower-cost states.

We need to make it desirable and affordable for the best and brightest graduates of our colleges and universities to stay right here in New Jersey as entrepreneurs, skilled workers and professional services experts. The next great idea—tomorrow's "Google"—may be founded elsewhere unless we—as a state—can address the level of business-friendly policy coming out of Trenton and revenue-hungry towns and cities with decision-making powers.

We need to make it desirable and affordable for the best and brightest graduates of our colleges and universities to stay right here in New Jersey as entrepreneurs, skilled workers and professional services experts. The next great idea—tomorrow's "Google"—may be founded elsewhere unless we—as a state—can address the level of business-friendly policy coming out of Trenton and revenue-hungry towns and cities with decision-making powers.

Pro-business decisions are hard-fought battles in New Jersey, from advocating fewer regulations and lower taxes to opposing state budgets that include irresponsible spending. Both the state and federal governments have spending problems, and until these are addressed without overtaxing businesses, the hunger for more tax money will bring about more, bad decisions.

COMMERCE asked experts in accounting, banking, healthcare, higher education, law, manufacturing, office services, real estate, technology and wine and spirits how businesses and industries can thrive in the Garden State—essentially seeking a roadmap for retaining and attracting companies to New Jersey. Here are their thoughts, insights and observations about making New Jersey a better place to live and work.

ACCOUNTING



Citrin Cooperman
By Alex Serrano, CPA,
NJ Tax Practice Leader

New Jersey businesses that for tax purposes report their income through a flow-through entity (S Corp., partnership LLC, or partnership) are in a tough position, since their income is taxed on owners' personal tax returns. New Jersey's personal income tax rates are higher than those of neighboring states, maximizing at 8.97 percent when taxable income exceeds \$500,000. Pennsylvania pays a flat rate (3.07 percent) and New York State's top rate of 8.82 percent doesn't kick in until

single taxpayers' taxable income exceeds \$1 million (\$2 million for joint filers), thus most New Yorkers pay a much lower tax rate. Another obstacle is depreciation rules on capital assets—since New Jersey has decoupled from federal law, new federal depreciation rules don't benefit New Jersey, and depreciation deductions at the state level may be significantly lower. Overall, to incentivize businesses, state legislators need to reconsider current tax policies. Citrin Cooperman's focus has always been helping clients navigate the laws in place, and we continue helping business owners maximize their tax benefits, within an existing framework.



CohnReznick LLP
By Neil Gerard, CPA,
Partner and Tax Leader

With regards to New Jersey's Corporation Business Tax, one proposed change would be in the way in which revenues from services are sourced to the state. Currently, such sales are sourced to New Jersey to the extent the performance of the services are performed in the state. In the last few years, many states have been adopting a market-based sourcing approach for the performance of services. Under these rules, service revenue is sourced to a state based on where the benefit of the service is received or, stated differently, sourced to the state of where the customer is located. Such a change is expected to broaden New Jersey's corporate tax base while, at the same time, perhaps encouraging out-of-

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state companies to establish their corporate headquarters in New Jersey. Given the complexity of these issues, we are advising our clients to meet with their tax advisors to discuss issues that may pertain to their specific business. As part of this step, companies will be able to determine ways in which the state and federal tax laws interact to identify critical problems, as well as possible new business opportunities that did not exist prior to the change in federal law.



Goldstein Lieberman & Company LLC

By Phillip E. Goldstein, CPA, Managing Partner

In New Jersey, a business's legal formation (sole proprietor, LLC, S Corp, corporation, partnership, etc.) makes a huge difference when it comes to tax liability. Clients come to us to structure their companies to maximize their tax savings. We want companies to come to New Jersey and to grow in New Jersey, so here's our advice: Explore a lower tax rate. New Jersey needs a



High taxes hurt New Jersey's ability to attract and retain businesses.

method to reduce its tax structure on all types of business taxes from corporate to individual, sales and property. Reduce rates and revise New Jersey's cumbersome individual tax system. The top rate of 8.97 percent is way too high. Provide homeowners with help on their combined property and income tax bills. Allow residents to deduct state property taxes as contributions, and don't hike the millionaire's tax, as they are paying more than their fair share already. Work

together. Put political differences aside for the good of New Jersey businesses and residents. New Jersey was originally built on two things: proximity to New York City and a low tax structure. New Jersey needs to get back to a low tax structure to compete globally for companies to decide to make their homes here in the Garden State.



Grassi & Co.

By Michael Hochman, CPA, CCIFP, Partner-in-Charge, Park Ridge, NJ Office

Since New Jersey doesn't do as much in business incentives as New York has been doing, part of the solution to making New Jersey a better place to do business would be to further lower the individual tax rate. Since most businesses are flow through entities, they pay individual taxes. Lowering those taxes will have a direct effect on businesses. The corporate rate can also still be reduced. Making cannabis legal will also improve the economy in New Jersey, as it is expected to bring in more than \$1 billion a year in revenue. At the end of the day, tax reform is still key and the proposed millionaire's tax, on top of the repeal of the SALT deduction, is counterproductive and will only make a bad situation worse.



Klatzkin & Company, LLP

John Blake, CPA, Partner

The state's biggest weakness is the high tax rates on individuals and businesses, according to Blake. "New Jersey should also revisit the incentive and tax credit programs to target industries that are likely to create more jobs."

High taxes in general, and targeted ones like New Jersey's minimum gross receipts tax—which starts at \$500 regardless of whether a business shows a profit—"harms startups, which may run a loss in the beginning, and can be burdensome for small businesses in general," he cautions.

Blake would also like to see educational institutions work more closely with the state to "keep more college grads

here; but I think that also goes back to making housing more affordable and reducing taxes. This is a good state to be in, but the affordability and regulatory challenges turn some people off."



Levine Jacobs & Co. LLC

By Michael H. Karu, CPA, CFF, Partner, Member of the Firm

New Jersey has always been an expensive state in which to do business. The first change would be to reduce the unemployment tax rate for new employers, thereby encouraging new businesses to hire New Jersey employees. The second would be to provide additional tax incentives for new businesses, especially those in manufacturing or those to be located in depressed economic areas throughout New Jersey that would more greatly benefit from new jobs and facilities. Our advice to clients is to "stay the course." Although the leadership has changed, we don't have a full grasp on the initiatives and/or increased taxes that will be handed down. We can only hope that the New Jersey Legislature will be more proactive and less reactive.



NJCPA

Ralph Albert Thomas, CEO & Executive Director

New Jersey could take a variety of steps to attract and retain businesses, and encourage entrepreneurs, says Thomas. "High taxes are a recurring issue for individuals and businesses in our surveys and in others," he says. "Consolidating shared services among towns would be a start. Look at Princeton Township and Princeton Boro—that 2013 consolidation seems to be working well."

Along with many other business leaders, Thomas has some concerns about the state's plans to hike the minimum wage to \$15 an hour. "A large, multi-state company can absorb the additional extra costs, but a smaller company that only does business in New Jersey—and competes with large firms—is at a disadvantage. The smaller firm has a choice

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of raising prices and losing its competitive edge or laying employees off or reducing hours to cut costs. We saw this in Seattle, which increased its minimum wage only to find that businesses reduced hours for many people."

Instead of simply raising the minimum wage, Thomas would like to see more support for workforce development "to enhance people's skills so they can get a better job. Investing in post-secondary education is part of the equation, which would help to keep Millennials and Generation Z here, while attracting more businesses."



Sax LLP

By Lawrence M. Gradzki, CPA, J.D., LLM, Partner, Director of Business and Tax Services

In the midst of tax reform, Gov. Murphy has his work cut out for him in creating a more enticing business environment in New Jersey, while also tackling our budget deficit. With change, however, comes opportunity and given the dense population of New Jersey, it is important to attract and keep businesses and wealth in our state to allow us to thrive and flourish. Two key factors businesses focus on when deciding where to establish and maintain residency are the ease in which they can conduct business, and the cost of doing so (including tax). It would be prudent of Gov. Murphy and legislators to take a comprehensive look at these issues when considering policy and law changes. Creating and expanding tax incentives for both businesses and their owners could make doing business in New Jersey more appealing. In addition, the approvals for starting and expanding a business in the state should be as seamless and streamlined as possible. As a tax and business advisor to our clients, I look at each situation individually to ensure our clients are positioned to take full advantage of new and existing tax incentives, particularly the changes enacted for 2018 and future years. This includes planning and structuring the QBI deduction on the federal level and various job-related credits offered by New Jersey.



Sobel & Co., LLC

By Alan D. Sobel, CPA, CGMA, Managing Member

New Jersey's future success is predicated on a strong and vibrant economy that encourages businesses, large and small, to thrive. Most of us who call New Jersey home are proud of all our state has to offer, but policies need change because they hinder our reputation, making it difficult to compete in the national and global marketplace. Our tax policies need to be modernized and the tax base needs to be broadened. Too many of our taxes are concentrated on the few causing the highest property taxes in the country and one of the highest marginal tax rates. Perceptually this creates a very hard barrier to overcome. We also need to review our regulations such that New Jersey becomes more business friendly, creating the balance of welcoming economic development and protecting our citizens. Policymakers have to also deal with the realities of New Jersey's spending and entitlements that are burdening our taxpayers and our children's generation. I advise clients experiencing debt issues to cut spending and consider selling off surplus assets to create liquidity to pay down the excess debt. New Jersey should evaluate its assets and consider reducing debt by selling off those that are not critical to the purpose of government.



Wilkin & Guttenplan P.C.

Edward I. Guttenplan, CPA, CGMA, MBA, Managing Shareholder

"It's a complicated question," says Guttenplan. "One issue is that nearby states are friendlier to smaller businesses, and generally have lower taxes. New Jersey has good tax incentive and credit programs, but they're mainly aimed at large companies. There are at least 360,000 small businesses here, and we need to do more to encourage them to stay here and hire more people."

The state should also improve the transportation and other infrastructure,

he adds, "especially if we want to attract Millennials, who increasingly embrace mass transit and want to be able to live, play and work without spending a lot of commuting time."

Guttenplan is concerned about a plan to hike the state's minimum wage to \$15 an hour. "People should make a fair wage, but I'm worried about the possible unintended consequences of a mandated state hike," he explains.

On a positive note, he sees signs that New Jersey is trying to reduce excess regulations and points out that the state has a lot going for it, including an educated workforce and its proximity to the New York City market. "People are willing to pay a bit more for these advantages, but there's a limit to how much more."



WithumSmith+Brown, PC

By Jim Hannan, CPA, Partner, Manufacturing, Distribution and Logistics Group Leader

Let's start close to home with Trenton. The overtures embedded in the Murphy administration agenda will add costs to businesses based in the Garden State, without any real relief to owners and stakeholders. In addition to a high corporate tax rate, our clients, especially those in the manufacturing sector, are saddled with the weight of outdated regulations, fees and red tape that limits their ability to innovate and expand their business. Let's look at some relief on these regulations and those hidden fees. Finally, our public utilities have some interesting programs designed to spur clients' energy efficiencies and expansion plans. Let's go down Route 95 to DC. Manufacturers will certainly benefit from lower federal tax rates and accelerated write-offs, which provide a real incentive to pull the trigger on capital expenditures and stimulate activity over the whole length of the supply chain. Offsetting that optimism is the cloud of a trade war with countries who are essential suppliers to U.S. businesses; certainly, let's be fair in working through our differences, but protectionist policies in a global econo-

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my creates a lot of anxiety. Let's see how it shakes out, as the markets typically play a big role in solving issues.

BANKING



Atlantic Stewardship Bank
Paul Van Ostenbridge,
President and CEO

New Jersey enjoys some competitive advantages, including a dense population, a diverse workforce and easy access to air, rail and sea transportation, according to Van Ostenbridge.

He says that the chemical, technology, light manufacturing and other industries that are active in the Garden State generate "a lot of positive energy," while "Choose New Jersey and other organizations are doing a good job of attracting companies."

"But more incentives to start a new business or relocate existing ones here could be helpful," he cautions.

Van Ostenbridge understands why many small businesses are leery about the state administration's plan to hike the minimum wage to \$15, but doesn't think it will cripple companies.

"When Atlantic Stewardship Bank started about 34 years ago, the minimum wage was \$3 an hour," he recalls. "So, a hike now may force businesses to make some changes in the way they operate but, in the long run, they'll adjust, especially if it helps people achieve a better standard of living."



SB One Bank
Anthony Labozzetta,
President and CEO

"New Jersey has so much potential," notes Labozzetta. "Its location—close proximity to the high growth New York City and Philadelphia markets—offers significant opportunities; so too does its highly skilled talent pool. New Jersey has a lot of great selling points; however, the premium to operate a business out of New Jersey could be viewed as outweighing the benefits."

The state needs to rebuild trust with the business community, he adds. "It needs to re-focus on retaining the existing businesses within the state before it can direct its attention to bringing in new business."

This rebuild hinges on the state's ability to follow through on some of the initiatives that it has already started, Labozzetta says, including getting the state's "budgetary house" in order; creating a stable tax environment for businesses and individuals, making it easier for businesses to operate here; and making investments in infrastructure.

"The Garden State must create a culture of trust in order to attract, retain and encourage entrepreneurship," he says. "We need to leverage our strengths while incrementally working towards making it financially feasible to operate here."



Spencer Savings Bank
By Jose B. Guerrero,
Chairman, President
and CEO

Our recommendation is to set policies that build on the state's strengths—education and innovation. New Jersey is a global leader in education, both K-12 and higher ed, and is recognized internationally for its innovation not just in its well-known sectors such as the pharmaceutical industry, but also in industries such as defense, med-

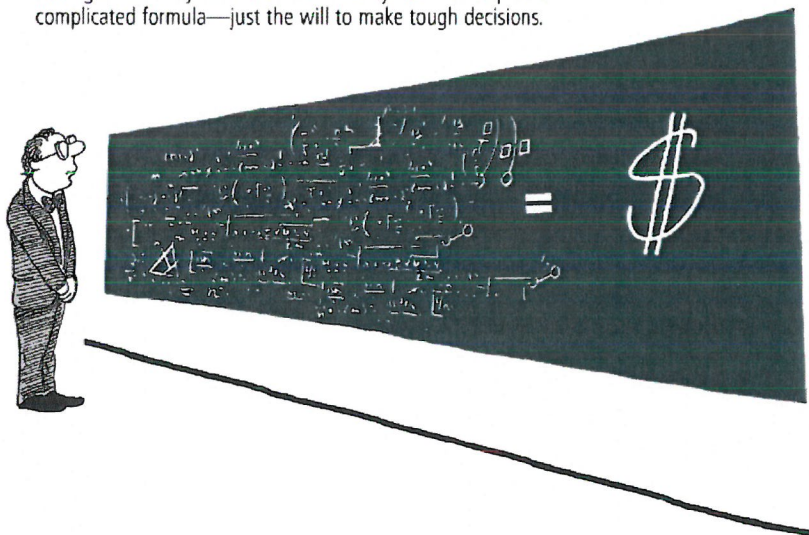
ical devices and consumer products. The talent pool in New Jersey is strong; nearly 40 percent of New Jersey's workforce graduates from college with a bachelor's degree or higher. Policies from Washington are having a mixed effect on New Jersey—while businesses may see the benefits in their bottom line, the employees may take less home due to the new property tax deduction. Our perspective is that policymakers should not exacerbate negative trends in New Jersey and give people a reason to leave. Instead, policies must focus on helping the New Jersey economy strengthen its existing strengths, while also reassuring taxpayers that they are not being pushed out of the state.



Valley National Bank
By Ira Robbins,
President and CEO

We believe in lifetime learning, and more can be done at a broader level to improve skills-based training and education to correct troublesome labor market trends. The labor force participation rate in New Jersey peaked near 68 percent in the earlier part of this decade and has since declined to near 62 percent. We think this trend can be reversed through improved skills-based training and education. Today, the rate of technological change requires smart policy to ensure our workforce maintains relevant skills

Making New Jersey more business-friendly does not require a complicated formula—just the will to make tough decisions.



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necessary to compete. Nationally, there are more than 5 million open jobs, yet the number of unemployed is more than 6.5 million; we think this is largely attributed to a skills gap. Technology will continue to permeate across industries. Natural language processing, machine learning and other key artificial intelligence technologies are reshaping how companies operate and, therefore, the skills demanded of its workforce. Investment in STEM education is a solid start. But for those being displaced today in the labor force because of technology, a more comprehensive effort must be made to retrain workers. It requires a collaborative partnership between policymakers and the private sector to ensure today's workers remain relevant and the next generation of workers have the skills needed to succeed.

HEALTHCARE



AmeriHealth New Jersey
Mike Munoz,
Market President

"The first step is to continue to get the word out about all that New Jersey has to offer residents and businesses," according to Munoz. "Situated between two major markets in New York City and Philadelphia, New Jersey's perks are easy to overlook. However, with the state's wealth of academic institutions,

vast infrastructure, and proximity to major cities and international airports, we have what it takes to capture the attention of businesses of all kinds. Additionally, continued investment in programs that make it more affordable to do business in the state is essential."

He notes that AmeriHealth New Jersey "is proud to focus exclusively on the Garden State. In nearly 25 years of business, we've found New Jersey to be an environment rich in community and full of opportunities for both individuals and businesses."



BioNJ
Debbie Hart,
President and CEO

New Jersey has some very attractive benefits to attract research-based life sciences companies. At the same time, there are opportunities for improvement, according to Hart.

"New Jersey has an excellent educational system and has established itself as a biotechnology industry hub, which makes it easier to attract these companies, since they can find talent and collaborate with other companies. New Jersey also enjoys an excellent geographic location, with access to transportation that promotes participation in the global economy. At the same time, we're concerned about the tax structure and affordability of doing business here."

She says that businesses compare New Jersey to other states, "and when they weigh taxes, regulation, infrastructure, and transportation, we have to make sure we're as competitive as possible."

Citing studies that indicate New Jersey is spending significantly more on incentives—on a per-job basis—than other states, Hart supports Gov. Murphy's review of the local and state programs "to ensure we're deploying our programs in an effective manner."

Hart would also like to see New Jersey step up its marketing efforts, noting that "other states are aggressively marketing their benefits, so we need to make sure that our story is a good one, and that it's getting out there as well."



Hackensack Meridian Health
Robert C. Garrett, FACHE,
Co-CEO

As New Jersey Gov. Phil Murphy advocates, New Jersey must be a leader in the innovation economy, says Garrett. "Through investment in research and development and world-class educational institutions, our economy will thrive and grow. By creating an innovation ecosystem, the state will attract new, leading-edge companies, support entrepreneurs, and drive job creation, which is critical to the long-term success of our state."

Hackensack Meridian Health recently opened the Agile Strategies Lab, an innovation center that it developed with the New Jersey Innovation Institute to bring together experts in healthcare, engineering and technology. "Think of a *Shark Tank* for healthcare," Garrett says, "though we call ours Bears' Den. Our network contributed \$25 million to jumpstart the project, which is already attracting entrepreneurs from across the country to come to New Jersey."

His organization is also collaborating to create a nationally competitive health and medical sciences complex, the Hackensack Meridian School of Medicine at Seton Hall University. "This is the first private medical school to open in New Jersey in more than six decades, and now is the only one in the state," says Garrett. "This premier institution will attract more businesses, particularly in the life sciences and medical fields, to relocate to New Jersey to benefit from our highly educated workforce."

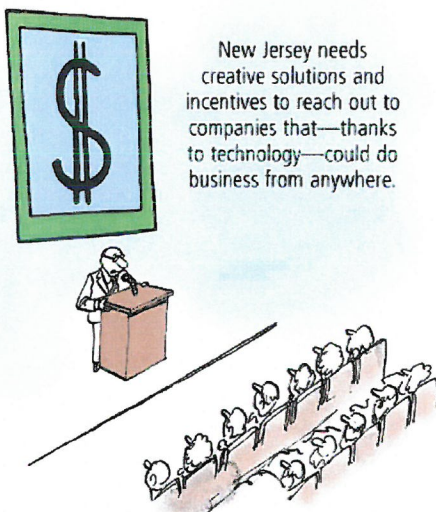
HIGHER EDUCATION



Ramapo College of New Jersey
Dr. Peter P. Mercer,
President

One of the bedrocks of New Jersey's ability to attract and retain businesses involves maintaining and strengthening the state's public higher education system, according to Dr. Mercer. "When Mercedes Benz moved its U.S. headquarters from Montvale to

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New Jersey needs creative solutions and incentives to reach out to companies that—thanks to technology—could do business from anywhere.

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Atlanta, one of the reasons cited was that Atlanta's quality of education is catching up to New Jersey's," he says. "That's an important observation because companies need talented, educated employees that can compete in today's highly competitive market."

Institutions such as Ramapo College are trying to help meet that need by working with businesses to offer co-op and internship programs, he adds. "But this joint effort must also include the government. Public higher education needs more support, and the level of support has been severely constrained during the past few years."

Dr. Mercer adds that "there's sometimes a tendency to throw money at businesses to attract them. That may work in the short term, but the partnership with educational institutions must include all the players and needs to be reinforced for long-term success. Companies look at the bottom line, but they also consider requirements such as a well-educated workforce. In addition to its proximity to important markets, New Jersey has historically had a talented workforce, and we need to ensure that remains as one of our competitive advantages."



Rutgers University
Edward J. Bloustein School
of Planning and Public Policy
Dean Emeritus, Professor
Dr. James Hughes

"New Jersey has many policies that are supposed to help startups and other businesses, but they should be re-examined to see how well they're working," says Dr. Hughes. "Is the state's business tax structure friendly enough to encourage business formation, and are present tax policies helping or hurting small businesses and startups?"

Reviewing and streamlining the state's maze of regulations would also be a positive step. "Many individual environmental and other regulations may be necessary, but in total they can be almost incomprehensible," he notes. "Instead of bouncing businesses around to multiple agencies, streamline the government operations to reduce time and other waste."

Dr. Hughes says some programs—such as business incubators supported by the New Jersey Economic Development Authority—are helpful, but he would also like to see more public-private partnerships, perhaps with universities providing workforce training, and loaning out faculty to help startups in return for stock or other compensation.

"Ideally, the state would take a more active role in welcoming all businesses to New Jersey, providing high-level personalized attention," Dr. Hughes counsels. "Southern states like North Carolina do that really well. It's a matter of establishing an environment that makes entrepreneurs feel they're wanted and that the state and local governments are on their side. When you have a culture like that there is a big potential upside."

LAW



Connell Foley LLP
Kim Guadagno, Esq.,
Partner, Former Lt.
Governor

"Companies go where the numbers make economic sense, and where they feel welcome," says Guadagno. "New Jersey has a high-quality workforce, and good logistics with our roads, ferries, trains, port and air transport access. While I was in office, we tried to support and enhance all of these. But affordability is a big issue."

The CEO of a large consumer goods company with a South Jersey distribution center recently told her that "after good-faith, arms-length negotiations between labor and management, they settled on a \$9-an-hour wage with benefits," she relates. "But he is concerned that if the state raises the minimum wage to \$15, they may need to leave for Pennsylvania, bringing the jobs with them."

The state must also be responsive. "When business leaders were facing challenges, they called, and I always responded," she says. "I am pleased the new administration has kept the economic development model I developed, particularly the Business Action Center, which encourages entrepreneurship and promotes the state's attractiveness in this country and internationally."

Guadagno plans to continue to be a resource for the many business leaders she's met, helped and worked with, noting that she's returned to the practice of law equipped with the cell phone number she's given out for years.



Fox Rothschild LLP
Gerard Norton, Esq.,
Princeton Office Managing
Partner

The state should continue to examine how to retain students after they complete college, says Norton. "State officials should also consider investing more resources to assist start-



Large companies want to place their HQ in a state where there are highly skilled workers and affordable living conditions. New Jersey has the "smarts," but a very high cost of living.

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ups," he says. "Especially in industries with a high success rate, like logistics, life sciences, and information technology."

Echoing a January paper that a transition team, assembled by Gov. Phil Murphy and Lieutenant Governor Sheila Oliver, released—*Report of the Stronger and Fairer Economy Transition Advisory Committee*—Norton says that, "We have to improve the state's outreach to businesses and eliminate roadblocks. New Jersey has lost a significant amount of small businesses to other states despite the presence of top universities such as Princeton and Rutgers, and the Route 1 corridor of technology and sciences companies."

The state should also be rewarding companies that stay in New Jersey and hire local employees. "Not everyone will be the next Microsoft, but many will contribute to the economic well-being of the state."

Four partners at Fox Rothschild have put their own money into these efforts, launching a \$1 million angel fund, Delaware Crossing, that's investing in startups across Princeton and Bucks County, Pennsylvania. "Offering support to entrepreneurs and established businesses, and making the environment here friendlier, could mean a lot," he adds.



Gibbons P.C.

*By Michael J. Lubben, Esq.
Financial Services Practice
Leader; Director, Corporate
Department*

Today's regulatory environment is particularly challenging for New Jersey businesses. While Washington looks to roll back regulations impacting a variety of industries, Trenton seeks to create or expand legislation impacting local businesses. Putting aside this dichotomy, even though the rules continually change and are sometimes unclear, companies still must compete to play the game. We frequently assist clients in transactions involving government regulations, including in healthcare, insurance, lending, and real estate matters. Often, we are faced with "one-size-fits-all" legislation that does not provide much, if any, leeway to

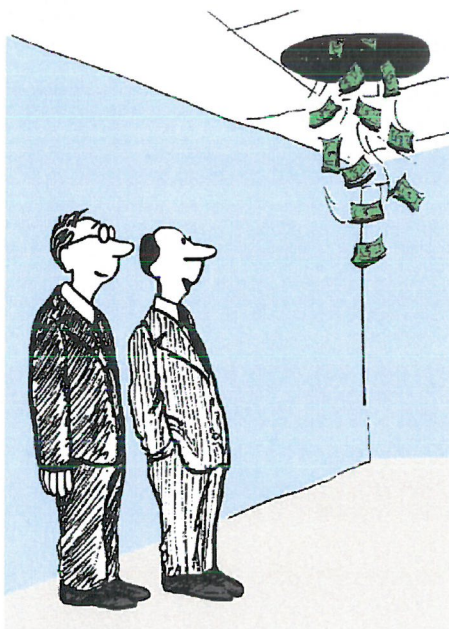
state agencies or departments to create practical resolutions when one is appropriate. Authorizing commissioners and agency heads to issue waivers—and letting businesses know that, while New Jersey will regulate you, it will do so in a practical and fair way—would go a long way in making New Jersey a better place to do business. This ever-evolving legislation creates barriers to entry for competitors, but also creates new markets and opportunities. Our advice to New Jersey businesses is to be nimble and stay abreast of changes that might impact your industries. Doing so will help foster success and improve your chances to "win" the game.



**Greenbaum, Rowe,
Smith & Davis LLP**

*By Jack Fersko, Esq., Co-
Chair, Real Estate Dept.;
Chair, Cannabis Industry
Practice Group*

Given the recent expansion of the New Jersey medical marijuana program, and Governor Murphy's goal of legalizing adult cannabis, there are several policies that could be enacted to make New Jersey a better place to do business for the cannabis industry. New Jersey



Trenton has to re-think bankrolling its agenda on the backs of businesses, so companies can create new revenue streams and hire more workers.

should consider adopting policies similar to those adopted in several California cities, which promote equitable ownership and employment opportunities in the newly developed legal cannabis industry. For example, New Jersey should consider policies that provide certain priority processing of applications for businesses that will operate in low-income areas or that will have minority ownership. Another policy consideration would prioritize applications from individuals previously convicted of a cannabis-related crime that would be a misdemeanor or yield only a citation under any new cannabis law structure. Finally, a capitalization assistance program should be evaluated to facilitate minority ownership. These policies would assist in reducing issues of wealth disparity, while addressing the disproportionate impact criminalization of cannabis has had on minorities and minority communities.



Harwood Lloyd, LLC

*By Thomas Loikith, Esq.,
Partner*

New Jersey has many advantages that make it a good place to do business: an excellent location, educated workforce, low crime rate and strong technology sector. But New Jersey also ranks at or near the top in taxation, oppressive and confusing environmental regulations and aging infrastructure in need of repair. To make it a better place to do business, the state needs to address its high property taxes and environmental regulations. The full effects of recent action on the federal and state levels remain to be seen, and it is important to be aware of ongoing judicial or administrative interpretations of such actions. In light of our national leadership, it is important to consider the effect on the client's business of the 2017 Tax Cuts and Jobs Act and the repeal or delay in enactment of agency regulations. On the state level, clients need to be advised on initiatives like paid sick leave and legislation to preserve the deductibility of property taxes in light of the 2017 tax reform act.

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Meyner and Landis LLP
By Scott R. Malyk, Esq.,
Immigration Practice
Leader

Legislation should be adopted to support Chief Justice Rabner's pursuit to keep New Jersey residents free from federal intrusion when they participate in the judicial process, regardless of immigration status. Travel bans, increased scrutiny of visa applicants and heightened immigration enforcement all serve to create a challenging atmosphere for the business community. We have been advising business clients on the importance of maintaining an accurate and proactive immigration compliance program for employees. As federal policies and compliance requirements have tightened under the new administration, companies hiring employees on H-1B and L-1 work visas need to take extra special care. Similarly, worksite enforcement raids and audits by U.S. Immigration and Customs Enforcement (ICE) continue to increase in frequency and intensity under the new administration, as we saw recently with the raid of nearly 100 7-Eleven convenience stores nationwide. Such an increase, when coupled with a recent doubling of civil penalties for Form I-9 violations, makes this a very real and serious threat to all businesses in New Jersey. Keys to ensuring employer compliance with Form I-9 requirements include internal audits, human resources training, and having a proper plan in place should a raid or audit occur.



NPZ Law Group, P.C.
By David H. Nachman, Esq.,
U.S. Managing Attorney

Immigration and nationality laws which are favorable to foreign nationals can help make the United States a more attractive place to open a business. As an immigration and nationality law firm, we assist highly skilled foreign nationals and international investors to obtain work visas in the United States. Many foreign nationals are entrepreneurs who open new companies in New Jersey and hire



The message is clear—businesses want New Jersey to roll back burdensome rules and regulations so they can grow and thrive.

U.S. workers, which subsequently increases the local employment rate and contributes to New Jersey's tax base. The Trump administration's policy to "Buy American, Hire American" is viewed as "anti-immigrant" and "isolationist," which consequently diminishes the public's perception of the contributions that foreign nationals make to the local and national economy. We believe national policies which secure our borders through "extreme vetting" can co-exist with more liberal immigration and nationality laws which will make it easier for foreign nationals to open businesses in New Jersey, which would contribute to the local and national economic infrastructure.



**Riker Danzig Scherer
Hyland & Perretti LLP**
By Jason D. Navarino, Esq.,
Practice Leader, Tax Partner

Businesses like clear rules. Some rules are better than others, but uncertainty is often worse than certain but costly rules, which can be planned for. That's why it's important for regulators to understand how rules will be interpreted and provide clear and steady guidance that businesses can rely upon. For example, New Jersey, like many states, requires buyers of business assets in bulk to notify the state before closing so the state can ensure the seller's state taxes get paid. It's bad enough that New Jersey, unlike most states, uses the process to get an advanced payment on the seller's not-yet-due taxes on the sale, it also interprets the term "in bulk" broadly and takes the unusual position that the rules apply to both stock and asset sales. But the clearest explanation of the rules is an online FAQ that frequently changes. This makes planning

difficult. Another example is the distinction between employees and independent contractors. The distinction is fraught with economic significance. But the federal and state tax and labor rules on the subject are vague and often conflicting, making it difficult for businesses to predict whether their distinctions will be respected.



Sills Cummins & Gross P.C.
By Peter G. Verniero, Esq.,
Chair, Corporate Internal
Investigations and
Appellate Practice Groups

A clear set of commercial rules and policies can help every business plan for the future; that's why it's critical for commercial statutes and regulations to be written and construed unambiguously. The substance of these rules and laws reflect many policy goals, including protecting consumers and the environment; ensuring a workplace free of discrimination; growing the economy so that everyone can benefit; and providing businesses with the opportunity to compete fairly and to create jobs in all sectors. Those goals should not be seen as mutually exclusive, but instead as part of what makes New Jersey an attractive place in which to live and work. We assist our commercial clients in understanding the laws and policies affecting their lines of work. From that perspective, lawyers should strive to bring clarity to a client's understanding of an ever-changing regulatory environment so that businesses can operate properly and to their full potential, for the benefit of all stakeholders.

MANUFACTURING



NJMEP
John W. Kennedy,
President and CEO

"New Jersey needs to do more to reach out to businesses, particularly to the STEM [science, technology, engineering, and mathematics] companies, and ones in manufacturing and life sciences," says Kennedy. "The state has taken some

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positive steps such as the Legislative Manufacturing Caucus and science and technology committees, but with talk about new taxes, a higher minimum wage and more regulations, New Jersey is sending a mixed message to businesses."

The state has about 11,000 manufacturers, "and 80 percent have received attractive offers to move to other states, from ones down South to nearby Pennsylvania, which picks off our companies all the time," he adds. "The state keeps creating Urban Enterprise Zones, but the inner cities don't have the real estate that manufacturers need."

Some politicians demonize businesses instead of talking with them, says Kennedy. "It becomes very difficult to run a company here."

He wants more cooperation between educational institutions, politicians and business owners. "We've created this 'us vs. them' silo, but that won't solve anything," Kennedy reports. "I'm optimistic because of success stories like the evolution of Newark and because we've got a lot of people and companies and politicians who want things done right, but, we all need to communicate, or change won't happen."

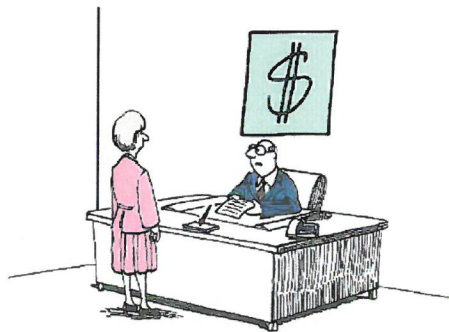


Plast-O-Matic Valves, Inc.
Judith DeLorenzo,
Chairman

Cutting taxes and reducing burdensome regulations would go a long way in making businesses look at New Jersey more favorably, according to DeLorenzo. "It would be nice if companies that hire fulltime workers with medical benefits, life policies, 401K accounts, etc. got some kind of incentive."

She would also like to see universities work more closely with businesses. "We offer paid internships to university students when it's appropriate," explains DeLorenzo. "It would be great if the universities offered more interns and communicated more with us. Everyone would benefit."

But one recent legislative development has her worried. "Governor Murphy recently signed a measure



Small business revenues are often taxable through the individual taxes of their owners, meaning a millionaire's tax kills jobs and encourages entrepreneurs to leave New Jersey.

[the Diane B. Allen Equal Pay Act] that bans unequal pay for 'substantially similar work' and allows people who allege this to sue for up to six years of back pay," says DeLorenzo. "But it's not easy to say that people are doing 'substantially similar work,' because one person may be much more efficient than another, or there may be subtle but significant differences in their jobs. Also, the new law prohibits employers from keeping employees from discussing their pay with others and provides for significant penalties for a supposed violation [courts can now award treble damages for violations]. When you're in a company, people have different responsibilities and, if they swap salary information in the workplace, that can cause conflict. The bottom line is that people should be paid for the job they're doing, not because a law demands it. Let businesses run and keep people employed without government demands."

OFFICE SERVICES



Electronic Office Systems
Andrew W. Ritschel,
President

New Jersey has many things going for it, but the state needs to make some changes to attract and retain businesses and talented employees, says Ritschel. "The key issue is to make it easier to live and work here. That involves enhancing commuting options, and addressing the high cost of real estate, insurances and taxes."

He points to New Jersey graduates with engineering and science degrees who are leaving the state for better job opportunities. "We're training the people, but they're not staying here in New Jersey. To attract high-tech and other companies, we need to do a better job of keeping our local graduates here and make it easier for the new, highly educated immigrants to stay here as well. Converting empty office parks into lower-cost townhouses for multi-use communities, and housing for new graduates and others would also be a step in the right direction."

Ritschel says that extending mass transit projects, like the light rail system in Hudson County and Newark, "to connect large numbers of people to more work areas," would also be a positive step. Roadway improvements, such as "keeping traffic flowing with time-coordinated smart traffic light systems and fixing chronic New Jersey roadway bottleneck points" would also reduce commuting times, enhance worker productivity and grow state commerce.

"Raising the minimum wage is counterproductive," he adds. "That will only spur businesses to replace low-skilled and entry-level people with technology."

REAL ESTATE



MAI James E. Hanson
William C. Hanson,
SIOR, President

Compared with many other states, New Jersey hasn't done well when it comes to metrics like business friendliness, notes Hanson. "Our consistency stems from high regulatory burdens, rapidly increasing taxes and a high cost of living. This perfect storm scares off new businesses hoping to move to New Jersey and drives existing businesses and their talented workforce out. For far too long, many have dangerously assumed that our location in the shadows of New York City ensured our spot as a desirable place to do business, regardless of our continuous poor business friendliness ratings."

He says it is now time "for our state's leadership to begin taking these rank-

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ings seriously and recognize that our location is not enough to entice new businesses and retain existing ones. Much of this begins with decreasing the regulatory burden placed on businesses so they can grow and thrive. It also requires decreasing the high taxes and cost of doing business in our state, which not only impacts the business communi-

ty, but places significant strains on our residents and workforce. Through working collaboratively with the business community, instead of confrontationally, New Jersey can once again be a great place to do business."



NAIOP NJ
Michael McGuinness, CEO

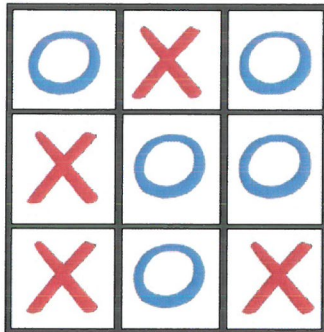
"Despite New Jersey's enviable access to great transportation infrastructure, educational opportunities and exciting recreational, cultural and urban amenities, we are over-taxed and over-regulated," explains McGuinness. "We need to make New Jersey more affordable to succeed in attracting and retaining new entrepreneurial businesses, and the young talent it takes to run them. The best place to start is at the local and county levels. Regionalizing services—public safety, public works, education, and governance—should result in more affordable communities where young

businesses can invest and young people can raise their families."

Deploying critical financial resources to upgrade and modernize our transportation systems also needs immediate attention, he adds. "The projected growth in population and increasing cargo coming into our ports depends not only on a skilled logistics workforce, but also on a robust road, water, rail, bridge and tunnel infrastructure. This includes the completion of the Gateway rail tunnel project connecting Manhattan with New Jersey.

"Modifying incentives and PILOT (payment in lieu of taxes) agreements to reflect market and workforce needs is essential to encourage and channel investment in revitalizing areas in need of redevelopment and to generate new tax revenue and create housing and jobs. Towns also need to re-zone to provide for 24/7 live, work and play environments, which would benefit from easier access to affordable liquor license permits."

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Trying to get Democrats and Republicans to work together often results in the status quo. New Jersey can and must do better when it comes to becoming a more business-friendly state.

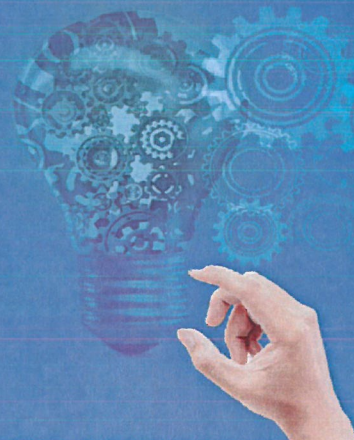
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Prism Capital Partners
Edwin Cohen, Principal Partner

Edwin Cohen would like to see the state improve its financial approach, perhaps adopting a long-term plan to reduce the budget deficit and "improve our infrastructure, while revisiting and further supporting programs that have contributed to growth."

Cutting taxes for businesses and individuals "is essential," he adds. "Polls consistently rank taxes as a big concern in New Jersey, and this is an issue that has existed for a long time."

Some state initiatives, such as GrowNJ and other incentive programs, have helped to attract companies here, according to Cohen. "I hope the Murphy administration continues to support them."

Prism Capital Partners is doing its part, he says, noting that the company established a vibrant mixed-use project, which includes cutting-edge biotech firms,

educational institutions and major corporate users among others, on the 116-acre site of the former Hoffman-La Roche campus in Nutley and Clifton that's been renamed ON3.

"Bioscience and biomed companies, hospital networks and other healthcare-related organizations have provided much of the growth in New Jersey, so the state should encourage them," he advises. "Startup and other healthcare-related small and large businesses are rapidly growing in New Jersey."



RH Funding Corp.
Marc C. Demetriou, CLU, ChFC, Branch Mgr./Mortgage Consultant

New Jersey offers a "fast-paced, exciting environment with many business opportunities," says Demetriou. "But property taxes, and personal and corporate income taxes are taking too big of a bite. They need to be reduced, if we're going to attract

and retain people and businesses."

As a start, he suggests reviewing municipalities "from a business point of view, trying to cut waste by adopting shared services and considering mergers where appropriate. The state could also review its incentive program and consider trying to target specific growth industries and businesses."

He's concerned about the way that many affluent residents are leaving the state and believes that "the bottom line for many of them is the tax burden. The first step in any solution is to solve that challenge."

TECHNOLOGY



New Jersey Innovation Institute (NJII), an NJIT Corporation
Dr. Donald H. Sebastian, President and CEO

"Innovation" has shifted from large companies to small companies and start-

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ups, and the state needs to adjust its incentive programs and other policies accordingly, says Dr. Sebastian.

"In recent years, corporate tolerance for risk has been reduced, and the base of innovation is shifting to smaller, disruptive companies that make the discoveries with an eye to being acquired—corporate R&D is being replaced by M&A."

He says NJII is trying to help by building micro-clusters, around specialized facilities and incubators that offer small technology and other startups "access to assets they need and exposure to tech partners, future buyers and investors alike."

One example is NJII's Cell and Gene Therapy Development Center. It is training employees for Celgene, a Summit-based biopharmaceutical company, for the jobs of the future, while creating a tech and biopharma manufacturing resource for companies large and small.

"But the state needs to do more to encourage this, too," explains Dr.

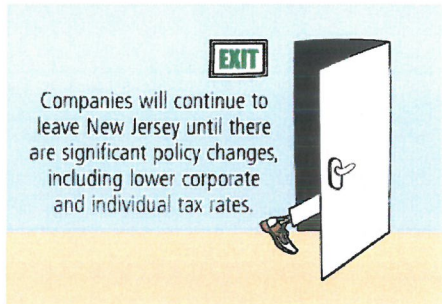
Sebastian. "Massachusetts started a similar effort more than a decade ago, and it's now eating our lunch, attracting many high-tech and other innovative companies."

WINE & SPIRITS



Garden State Wine Growers Association
Tom Cosentino,
Executive Director

To attract and retain businesses and support entrepreneurs, New Jersey needs to cut regulations, reduce taxes and provide more incentives, according to Cosentino. "Economic development organizations such as Choose New Jersey have done a great job, but neighboring states spend a lot of money to market their products and attract New Jersey's businesses. It's a challenge competing with places like New York City and Philadelphia."



He says the state also needs a coordinated, long-term plan that addresses educational opportunities while encouraging targeted industries, which would "help the tax base and create jobs that will keep graduates in the state."

Another challenge is that "businesses outside of New Jersey often see the state as being too expensive, and instead go to North Carolina or other lower-cost states. Say a company in the Midwest is looking to relocate to New Jersey—they'll look at our relatively high corporate tax rates, and then they'll ask what happens if they try to relocate their employees here: The workers' property taxes could triple. Remember, you're not just luring companies here, but their employees, too. It will be very difficult to be competitive until costs here are reined in." ■

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