

GOVERNOR MURPHY'S STATEMENT ON CHANGES HE MADE TO THE LEGISLATURE'S CBT BILL

ASSEMBLY BILL NO. 4202

To the General Assembly:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Assembly Bill No. 4202 with my recommendations for reconsideration.

I am very pleased to have reached a deal with my partners in the Legislature concerning the Fiscal Year 2019 State budget and supporting revenue bills. Our agreed upon spending plan implements almost all of the investments in New Jersey's future that I recommended to the Legislature in March. I thank the Legislature for including all of these important initiatives in the State's spending plan for Fiscal Year 2019.

As I noted publicly and in meetings with legislative leadership, I had some problems with the revenue side of the Legislature's original Fiscal Year 2019 budget. In particular, I questioned whether the original legislative revenue plan adequately supported the investments that we all want for the people of New Jersey, including investments in schools, in mass transit, and in property tax relief and other core programs to assist individuals and families, in a sustainable manner. These long-term commitments require real, reliable, long-term revenues. Because of magnanimous concessions on all sides, I am satisfied that the plan we agreed to today will appropriately begin the multi-year process of fixing New Jersey's fiscal woes in a fair and responsible manner.

A temporary CBT surtax atop the existing corporation business tax was not part of the budget recommendations I presented to the Legislature in March. After extensive discussions with legislative leadership, in the spirit of cooperation and to avoid the unnecessary consequences that would be associated with a government shutdown, I have accepted this concept as part of our spending plan, if it is

amended to include several technical and substantive revisions to ensure fairness and equitable distribution of the surtax among all New Jersey corporations.

Among other revisions, I am recommending changes to support New Jersey-based companies by including market-based sourcing, aligning our State tax law with the federal research and development credit, ensuring the equitable recapture of income made available through the enactment of the federal Tax Cuts and Jobs Act, and more precisely addressing treaty exclusions to prevent abusive profit-shifting activities. My revisions also modernize New Jersey's tax code by introducing combined reporting to New Jersey so that we may join the 26 other states, the District of Columbia and New York City that have already done so.