



MEMORANDUM

To: Members of the Senate Budget and Appropriations Committee
From: David Brogan, Executive Director
Date: September 11, 2020
Re: NJAA Public Testimony on the Revised FY 2021 State Budget

On behalf of the New Jersey Apartment Association (NJAA), and our members who own, develop, and manage both market-rate and affordable housing for over a million New Jersey residents, we thank you for the opportunity to provide testimony on the revised FY 2021 State Budget.

We recognize the tremendous amount of difficulty and uncertainty in crafting the FY 2021 State Budget, as New Jersey continues its recovery from the COVID-19 crisis. The Legislature and the Administration play a critical role in managing the crisis and supporting the state's recovery. We also understand the challenges facing tenants impacted by COVID-19 and our members continue to work with affected tenants by creating alternate payment plans and waiving late fees.

Furthermore, we applaud efforts to provide rental assistance to tenants impacted by COVID-19. **However, additional federal and state assistance for both landlords and tenants impacted by COVID-19 is absolutely necessary for tenants, landlords, employees, municipalities, and the entire multifamily ecosystem to weather the COVID-19 crisis.**

At the same time, while it is important to carefully allocate federal Coronavirus Relief Fund monies and other federal assistance to support our residents, businesses, and overall economy, we would ask that the Legislature carefully evaluate any proposed tax increase, which will affect the ongoing competitiveness of the state economy.

Specifically, as it pertains to the FY 2021 budget proposal, NJAA is concerned about expanding the state's top gross income tax rate of 10.75% to all income over \$1 million and applying a 5% surcharge to certain federally qualified business income for individuals with income over \$1 million.

When combining a 5% surcharge on qualified business income, with the expanded gross income tax rate of 10.75%, individuals with such pass-through business income earning over \$1 million could face a marginal tax rate of 15.75%, which would be the highest in the nation. As a result, these taxes would have a negative impact on both job creation and capital investment, which was the primary goal of the qualified business income deduction when it was implemented at the federal level.

We understand the difficult budgetary challenges facing lawmakers, but now is not the time to increase taxes on New Jersey business owners and residents. We appreciate the opportunity to provide testimony on the revised FY 2021 State Budget as proposed by Governor Murphy. Should you have any questions, please do not hesitate to contact me.

The New Jersey Apartment Association represents over 220,000 multifamily apartment units throughout the State of New Jersey. We are a statewide organization dedicated to maintaining, improving, and building both market-rate and affordable rental housing that serves over one million New Jersey residents.