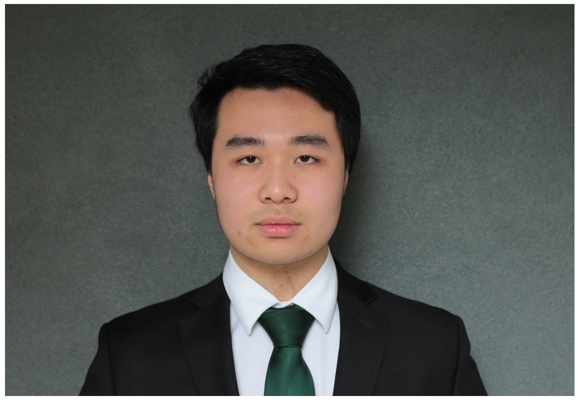
THE OFFICE OF THE GOVERNOR OF THE STATE OF NEW JERSEY
YOUTH GOVERNOR WILLIAM HUANG

COMMISSIONER OF LABOR AND ECONOMIC DEVELOPMENT: JEFFREY LIN

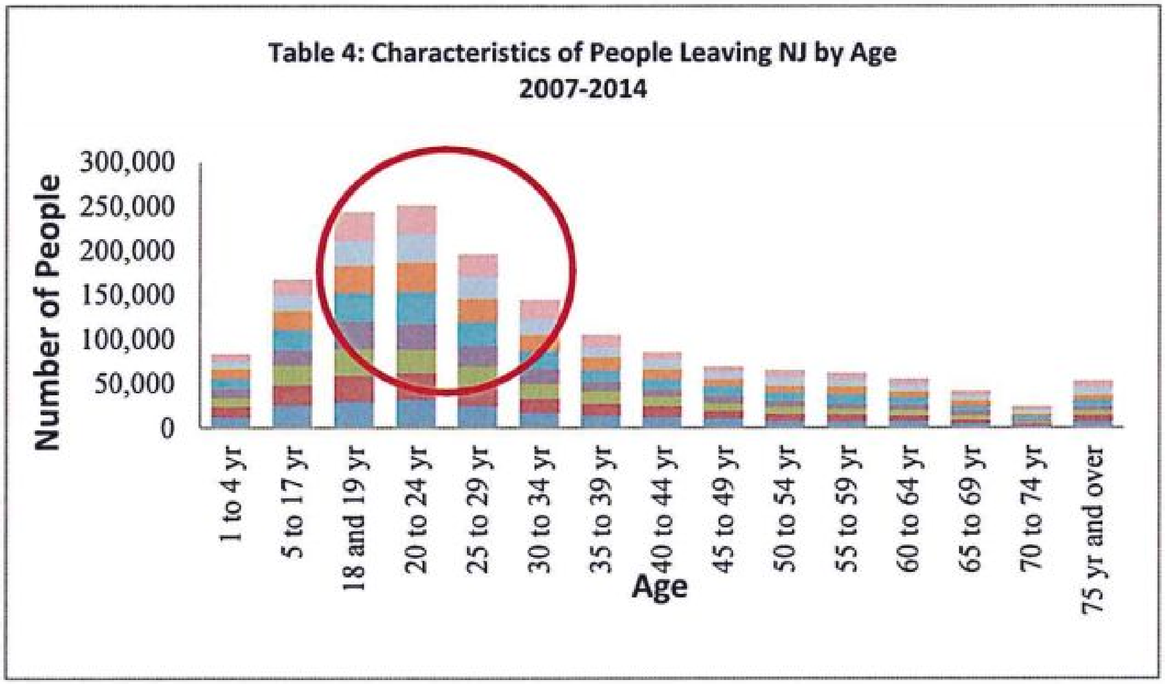


Dear Delegates,

In recent years, the New Jersey economy has experienced a sluggish growth rate after the recession. Immediate expectations and projections show growth in upcoming years, however, these projections are lower than that of the national average. In part, this can be attributed to the high rate of emigration, which poses a concern to the long-term viability of the New Jersey economy. From 2005 to 2014, about 2 million New Jersey residents have moved out of the state, which led to the loss of about 75,000 jobs, 11.4 billion dollars of economic activity, 4.2 billion dollars of labor income, and 8.4 billion dollars of household spending.

This growing trend of emigration is due to certain existing conditions within the state. New Jersey currently has the highest income, corporate, property, and sales tax in the nation. As such, business owners do not have a positive disposition towards establishing operations in New Jersey. 62 percent of owners stated that they would not open a new expansion location in New Jersey, 66 percent would not retire in the state, and 67 percent take issue with the state taxes. This poses quite a significant issue in terms of future job growth within the state, since business owners are taking into account the higher cost of operation in New Jersey relative to other states. Additionally, job growth is most common within new and emerging businesses, but New Jersey provides incentives for large, established corporations rather than the rapid expansion potential of small businesses. This only accentuates towards future business emigration, as state incentives currently only align with longstanding corporations.

Besides business owners, these high tax rates most commonly deter retirees from staying in the state. Residents tend to migrate to states with tax rates far lower than that of New Jersey, such as Florida, which lacks an income tax. Moreover, this trend extends to millennials as well. In 2014, the age cohort in New Jersey between 18-34 years old experienced a net loss of 57,566 individuals. Given that New Jersey invests such a high volume of money, about 19,000 dollars per pupil, towards the education system. This migration of millennials is particularly detrimental to the state given how much is already invested into their education. Thus, the high cost of living is a deterrent for both millennials and retirees, costing the state several billion dollars in potential spending.



The Governor's Cabinet would welcome measures that address this issue of emigration. This could potentially involve tax reforms to either residents or businesses that would make New Jersey more favorable in terms of cost of living compared to other states.

Sincerely,

Jeffrey Lin
Commissioner of Labor and Economic Development

Sources:
New Jersey Business and Industry Association
https://www.njbia.org/wp-content/uploads/2016/05/njbiaoutmigrationreport.pdf
Mckinsey and Company Analysis:
https://www.mckinsey.com/global-themes/employment-and-growth/reseeding-growth-in-the-garden-state
Department of Labor and Workforce Development:
http://lwd.dol.state.nj.us/labor/lpa/dmograph/InterPopMigrTrends.html