



## **New Jersey 27th Best to Start a Business**

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(The Center Square) – New Jersey ranked in the middle of the pack in the Forbes Advisor "Best States to Start a Business" rankings, and two state policy think tanks have differing views on the value of the analysis.

Forbes Advisor placed New Jersey 27th after analyzing 18 metrics across five categories. Business costs, economy, workforce, business climate and financial accessibility were considered for each state.

“Rankings around ‘business-friendliness’ almost always have an ideological bent that does not reflect actual business formation data,” New Jersey Policy Perspective senior policy analyst Peter Chen told The Center Square. “In each of the last three years, New Jersey has had more business formations than Pennsylvania, for example, even though Pennsylvania has nearly 4 million more people. Yet, New Jersey is ranked 27th, while Pennsylvania ranks fourth.”

That the Forbes report cited the state’s highly educated workforce and access to capital among its key strengths was correct, William Smith told The Center Square. The spokesman for the Garden State Initiative said other factors outweigh these and resulted in the state’s lower ranking.

“Looking at the criteria Forbes used returns us to the recurring conclusion that it is very difficult to start a business in New Jersey due to our overall high cost of doing business, driven by high taxes, and stifling regulatory environment,” he said. “Those negatives keep New Jersey among the least attractive states for business in other independent studies.”

The Tax Foundation's annual business tax climate rankings put New Jersey dead last for the eighth straight year over concerns about affordability and taxes, he said. Mediocre or failing grades on the economy, business friendliness and cost of living earned the state a ranking of 42nd on CNBC's Best States for Business, he said. And the CATO Institute listed the state 49th for entrepreneurship due to onerous state and local regulations.

States across the nation compete for investment, jobs and residents. Smith says New Jersey isn't in the same conversation with red and blue states that are modernizing tax codes for economic growth.

"In fact, New Jersey has gone in the other direction by raising taxes on businesses and punishing small businesses with a tax increase to replenish the state's unemployment insurance fund, instead of using federal COVID aid. It sends a clear message to our business owners that Trenton doesn't care about their struggles," he said.

Delaware and Pennsylvania made it to the top 10 on the Forbes' study through their lower costs of living and operating a business, plus a stronger business climate, he said. Pennsylvania took an aggressive stance to improve its business climate by cutting business taxes by 50% in the next 10 years. Only New Jersey had higher business taxes, he said.

"Until New Jersey gets serious about competing for business investment, we'll continue to lose out to states near and far," Smith said.

Business leaders want to see stability when they look for places to make new investments, he said. An explosion of government spending fueled by borrowing, COVID relief and high taxes will make an economic slowdown hit the state budget especially hard.

"Based on recent developments, you can't blame business leaders for thinking Trenton will again look to them as an even bigger source of revenue to fill any budget shortfalls," Smith said.

The New Jersey Business and Industry Association released its 2022 Regional Business Climate Analysis earlier this year that also pointed out data that showed the state trails the rest of the region in the business climate.

The state has the highest corporate business tax rate, state sales tax rate and property tax paid as a percentage of personal income, as well as the second highest top income tax rate, in the region, NJBIA's report said.