



May 10, 2023

The Honorable Senator Paul Sarlo
Chair of the Senate Budget Committee
New Jersey Senate
125 W. State Street
Trenton, NJ 08608

The Honorable Assemblywoman Eliana Pintor Marin
Chair of the Assembly Budget Committee
New Jersey General Assembly
125 W. State Street
Trenton, NJ 08608

VIA ELECTRONIC MAIL

Dear Budget Chairs Sarlo and Pintor Marin,

On behalf of the For The Many coalition, we urge you to amend S-3737/A-5323, a bill that would reopen tax loopholes for multi-national corporations and make it much easier to hide profits in tax havens overseas.

Corporations doing business in New Jersey should pay their fair share of what they owe to the state to support our communities, schools, infrastructure, and social safety net. Yet corporations are poised to get more opportunities to avoid paying their taxes with this bill, on top of an anticipated \$1 billion tax cut at the end of the year.

New Jersey already loses roughly \$700 million to corporations shifting their profits to foreign low-tax jurisdictions. Although this bill includes many provisions to help rein in abuse of this profit-shifting and ensure corporations pay their fair share, these changes are not worth reopening big tax loopholes closed under current law.

Two major provisions must be removed from S-3737/A-5323 to avoid opening new tax loopholes and further eroding New Jersey's corporate tax base:

First, the law must preserve the related-party interest and royalty deduction addbacks. Current law prevents corporations from making phantom payments to their

own subsidiaries as purported interest or royalty payments, then deducting these payments from their profits for New Jersey tax purposes. S-3737 would reopen this loophole and open the floodgates for a cottage industry of tax avoidance.

Second, the law must preserve New Jersey's current conformity with federal law on foreign profits known as GILTI (global intangible low-tax income). Currently, roughly 50 percent of these profits shifted abroad are taxed at the state level, consistent with the federal government's treatment of GILTI. If S-3737 becomes law, it would reduce this rate to 5 percent, allowing 95 percent of these foreign tax-haven profits to go unaccounted for. Given the booming trillion-dollar tax-haven industry, failing to capture this income could erode New Jersey's tax base for years to come.

New Jersey's strong investments in pensions and health care, schools, infrastructure, and public services require a strong tax base. Eroding the corporate tax base to assist the world's largest multi-national corporations in tax avoidance schemes hurts the state and its residents, while handing over more money to corporate shareholders already experiencing record profits.

Sincerely,

For The Many and additional supporters:

American Civil Liberties Union of New Jersey
Black Lives Matter Paterson
BlueWaveNJ
Clean Water Action
Communication Workers of America
Fair Share Housing Center
Food & Water Watch
Housing and Community Development Network of NJ
Latina Civic Action
Latino Action Network
League of Women Voters of New Jersey
Lutherans Engaging in Advocacy Ministry NJ
Make the Road New Jersey
New Jersey Alliance for Immigrant Justice
New Jersey Black Empowerment Coalition
New Jersey Citizen Action
New Jersey Education Association
New Jersey Harm Reduction Coalition
New Jersey Institute for Social Justice
New Jersey Policy Perspective
New Jersey Sustainable Business Council

New Jersey Working Families Party
Our Revolution New Jersey
People's Organization for Progress
Save Our Schools NJ
Sierra Club New Jersey Chapter
Salvation and Social Justice

CC: Members of the Senate and Assembly Budget Committees

For The Many NJ is a statewide coalition of more than 30 organizations working to expand funding for essential services and improve budget practices to meet current and future needs, especially for communities that have been historically left behind.