

New Businesses Are Key to Economic Growth

Our elected leaders can take many steps to create a community that attracts startups and supports the companies that are already in the Garden State. New Jersey can do better.

COMPILED BY JOHN JOSEPH PARKER
CONTRIBUTING EDITOR

SMALL BUSINESSES ARE THE economic engine that powers communities, says Quint Studer, author of *Building a Vibrant Community: How Citizen-Powered Change Is Reshaping America* (Be the Bulb Publishing, 2018). "A healthy business presence can turn around a struggling community and make a healthy one even stronger," he says. Here are some smart steps leaders can take to create a community that attracts startups and supports the companies that are already there, according to Studer.

Make sure your focus is on economic growth. Judge all community projects through this lens. Growth is almost always driven by private investment. It's the key to job creation and a strong, sustainable tax base.

Create a vibrant downtown that appeals to young talent. Creating events that bring people downtown is the first step to creating a vibrant, walkable, livable downtown. Many communities do this with farmers markets, festivals, outdoor concerts, and so forth. Other key ingredients are places to eat and shop, office space and residential developments.

Invest in affordable housing. "This is a huge issue in attracting talent," notes Studer. "Young people and empty nesters in particular want to live where they work so it's great if you can figure out how to get local investors to commit to building affordable housing."

Focus on a strong education system. This creates a strong talent base and appeals to investors. Do everything you can to improve yours, not just now, but in the future.

Select and appoint leaders who put the community first. They should be willing to listen to new ideas and make it easy and comfortable for people to do business there. That means ensuring all guidelines, codes and zoning rules make sense and are clearly spelled out and enforced. Further, leaders should be easily accessible and available to answer questions to assure that decisions about planning and developing are made quickly, efficiently and in the right order.

Make sure companies have a safe, clean environment in which to operate. Attractive urban and suburban spaces and low crime rates are good for business. If you're in an unsafe area, it won't matter how good your product or service is. Customers won't come.

Create a dashboard showing critical, objective metrics, update it regularly, and keep it in front of citizens, businesses and investors. It will provide concise information about relevant factors like economic performance, well-being of the population, high school graduation rates and where entrepreneurs are located. These metrics will attract investment and keep citizens and decision-makers mindful of where improvements are needed.

Use the dashboard to create a compelling story. Does the community have a high graduation rate? Are there a lot of Millennials? These are the kinds of data points that can be used to showcase a community's advantages. And don't forget about the other factors that don't show up on a dashboard. Is there a downtown? A great university? Is the community known for its art and culture? Is the cost of living affordable?

Find ways to help start-ups get access to capital. One way they help entrepreneurs is by creating leases that move up and down based on revenue.

Consider hosting a small business challenge. This is a contest in which people compete to submit the best small business idea. The winner gets funding and support for getting their new venture started. This really gives a big boost to startups and small companies.

Galvanize your business community. Being business-friendly doesn't just mean making it easy for people to start companies. It also means keeping them growing. A fully engaged business community is the key.

Diversify, diversify, diversify. "It's easy to have a little success in one area and then focus on that area too much," notes Studer. "Healthy economies are based on more than just tourism or just manufacturing or just banking. They need diversity to thrive."



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One more important factor for a strong small business ecosystem? A culture of community support. This is the nutrient-rich soil that allows a business to really take root and thrive over time, says Studer.

"Entrepreneurs need to feel that the community is invested in their well-being," he says. "Once leaders start this conversation, the community will respond."

COMMERCE asked top accounting firms and law firms to discuss how New Jersey could become more business-friendly, and how they are assisting their clients. Here are their thoughts, insights and best practices.

ACCOUNTING



Goldstein Lieberman & Company LLC
By Phillip Goldstein, CPA, Managing Partner

Our state and municipalities should improve access to funding for start-ups. Offer tax incentives. New Jersey once had one of the lowest income tax rates in the country. Today, taxes are so high any entrepreneur would have to ask "why" start a business here? Be creative with those incentives—let businesses with the greater number of employees pay less taxes. Loosen the regulation stranglehold—fast track the building approval process. Create new business incubators especial-

ly for those industries New Jersey is eager to attract. Stay in touch. Getting entrepreneurs here is one thing—keeping them here is also a challenge. Facilitate communications and provide networking opportunities. Invite those of us who have been here longest to mentor the newcomers. We're here to help.



Grassi & Co.
By Michael Hochman, CPA, CCIFP, Partner, NJ Office Market Leader

Whether we are willing to admit it or not, government policy does play a part in the creation, trajectory and success of small businesses—sometimes their policies can benefit entrepreneurs and sometimes they can hurt. Tax and other incentives offered to entrepreneurs, as long as they make economic sense, could bring jobs and much-needed tax revenue and economic growth to the state. In the development stage, entrepreneurs tend to be smaller operations and could use much-needed property tax relief, which would entice them to purchase commercial properties which would maintain and increase real estate values and their underlying investments. With regard to the numerous and many times onerous regulations, entrepreneurs could be provided full exemptions or reduced compliance requirements to ease the burden on these early stage businesses, who generally don't have the back-office capabili-

ties to comply and this would make it more attractive to operate in the state.



Levine Jacobs & Co., LLC
By Michael H. Karu, CPA, CFF, CGMA

On a state level, it all starts and ends with taxes and tax incentives. New Jersey does have the "Angel Investor" program, whereby investors in a qualifying emerging New Jersey technology or life science business can get a tax credit. New Jersey needs to expand upon it and advertise it better. On the local level, towns can reduce real estate taxes or provide facilities to entrepreneurs. Towns can host events allowing the entrepreneurs to meet other business owners, town officials, and interested residents, providing a forum to introduce their businesses. Many towns have Chambers of Commerce or service clubs, such as the Rotary Club or Kiwanis Club. Those organizations should invite the entrepreneurs to come in and talk about their businesses and to advise what is needed to help them thrive. Communication is the key.



SobelCo
By Alan D. Sobel, CPA, CGMA, Managing Member

For starters, New Jersey needs to become the best place for entrepreneurs to start and maintain their business. The density of our population creates a unique opportunity for entrepreneurs to reach multitudes of potential customers and our highly educated workforce presents great opportunity to leverage skills into dynamic organizations. But, unnecessary regulations, among the highest taxes in the nation, and a lack of solutions to fix long-term fiscal and physical infrastructure issues in our state are a drag on growth and on the ability for an entrepreneur to succeed. By definition, entrepreneurs are risk-takers, but taking on the risk of fighting these counter forces limits or impedes their ultimate success. Entrepreneurs will find alternatives of where to start and grow their business

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unless New Jersey seriously addresses these impediments.

LAW



Cole Schotz P.C.

By Jeffrey H. Schechter, Esq., Chair, Tax Controversies

New Jersey must create a better environment for entrepreneurs by becoming more tax-friendly. New Jersey taxes entrepreneurs at rates among the highest in the country. The Corporation Business Tax is imposed at a 9 percent rate when net income exceeds \$100,000 and an additional 2.5 percent surtax when net income exceeds \$1 million. For entrepreneurs who hold their businesses in flow-through entities, they will be subject to one of the highest individual income tax rates in the country—8.97 percent for income above \$500,000, which jumps to 10.75 percent for income above \$5 million. The tax allows for virtually no deductions. Most daunting is the highest property tax levy in the country on a per capita basis. Because these taxes are no longer fully deductible for federal purposes, the pain is compounded. Bringing these taxes down will bring more entrepreneurs to the state.



Connell Foley LLP

By John D. Cromie, Esq., Chair, Corporate and Business Law Group

Small businesses are the economic engine of New Jersey. The most important steps that state, county and local governments can do to create and foster a more entrepreneur-friendly environment are to commit to policies that encourage business formation and growth, the free flow of capital and job creation. Government at all levels needs to lower taxes, eliminate and simplify business regulations, and assist small business owners in attracting and retaining a well-qualified labor force. New Jersey enjoys many advantages over other states, but government and administrative agencies must be mindful

of the challenges faced by entrepreneurs and small business owners and take steps to support economic growth for the benefit of New Jersey and the region. These policies will help attract and keep small business owners in New Jersey.



Chiesa Shahinian & Giantomasi PC

By Francis J. Giantomasi, Esq., Member

It is my view that entrepreneurs would benefit greatly from an interactive, user-friendly communication apparatus—whether a newsletter, website, digital kiosk or other device—that more tightly integrates the many, evolving incentives New Jersey has to offer at both the municipal and state levels. In addition to continuously broadcasting the state's business-friendliness to the world's entrepreneurs, the platform would bundle otherwise disparate incentive packages, streamline the incentive evaluation and selection process, and foster deeper collaboration and synergies among New Jersey and its municipalities. I would think of it as the virtual equivalent of the ongoing amalgamation of three of the state's top economic development functions—the New Jersey Economic Development Authority, Choose New Jersey and the Governor's Office—under one roof at One Gateway Center in Newark.



Gibbons P.C.

By Frank T. Cannone, Esq., Chair, Corporate Department

Be more flexible.

Running a business, and particularly being an entrepreneur, is an extremely difficult, ever-changing venture. Recognizing this, governments, including New Jersey and its municipalities, are trying to keep up, but they move slowly, as political entities with numerous rules, regulations and penalties for violations and dependent on legislators, regulators, voters, judges and similar influences. Governments can look beyond by-the-book rules to the challenges that entrepreneurs face struggling to stay competitive in a complex global marketplace. Rather than search for ways to penalize them, look at the equitable side—as in a court of equity—asking what is fair and supporting entrepreneurial efforts where the desire is not to break the rules or cheat but to improve their businesses for the betterment of the state and society.



Harwood Lloyd, LLC

By Thomas Loikith, Esq., Partner

The New Jersey commercial recording website makes the formation of a new business quick and easy. But both the state and



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municipalities need to make growing a small business less burdensome with fewer regulations, lower taxes and fair employment and labor laws. Consolidation of regional services, lower property taxes and lower car insurance premiums for individuals and entities would all help make New Jersey a place where an entrepreneur wants to start and grow a new business.



Norris McLaughlin, P.A.
By David S. Blatteis, Esq.,
Co-Chair, Business Law
Group

New Jersey and its municipalities need to continue to fund and more thoroughly promote existing organizations and programs designed to incentivize entrepreneurs in the state, such as the New Jersey Angel Investor Tax Credit Program, and the New Jersey Economic Development Authority (NJEDA). Most entrepreneurs do not

know that the NJEDA has invested more than \$51 million in venture capital funds that invest in emerging technology companies, or that 21 tenants are using space at the Commercialization Center for Innovative Technologies. I also question whether entrepreneurs are aware of the New Jersey Business Incubation Network—a collaborative community

of business experts and resource facilities dedicated to enhancing the commercial success of early stage and expansion stage entrepreneurial companies. More funding for these valuable organizations and programs, as well as publicity, will create a better business environment for entrepreneurs in the Garden State.



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NPZ Law Group, P.C.
By David H. Nachman, Esq.,
U.S. Managing Attorney

The immigration and nationality lawyers at the NPZ Law Group, P.C. believe that states and municipalities can promote entrepreneurship by formulating programs like E-2 Investor Visas and EB-5 Regional Center Programs (designated by the state departments of labor) to incentivize investments on both a local and state level. Additional ways to promote entrepreneurship are to create partnerships with academic institutions to

extend local and regional business incubators; provide special tax incentives in the locales to permit special tax credits for entrepreneurial endeavors; and to provide special incentives to encourage entrepreneurs to live and work in these states and municipalities.



Wilentz, Goldman & Spitzer, P.A.
By Brett R. Harris, Esq.,
Shareholder

New Jersey laws addressing business entities should be updated to provide maximum flexibility for struc-

turing of transactions, including allowing for corporate conversions to limited liability companies, an entity form frequently used by entrepreneurs. Since entrepreneurial ventures are often based on innovative platforms, our laws should be revised to facilitate adoption of technology such as use of blockchain to document corporate records. Finally, recognize that for all businesses, whether traditional or entrepreneurial, attracting and retaining a talented workforce is critical. High quality of life within close proximity to the workplace can be a deciding factor in recruitment. Our state and municipalities should focus on developing communities with access to quality education, transportation, healthcare, cultural institutions and recreational facilities, and should support the non-profit organizations, which can provide these services while alleviating burdens on governmental resources. ■



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