

# NJ Spotlight News

## NJ state certification for LGBTQ+ businesses a first

John Reitmeyer, Budget/Finance Writer | May 13, 2024 | Budget, Business

Officials say it will offer financial benefits, government contract opportunities



*File Photo: A Pride Flag*

New Jersey is now the first in the nation, state officials say, to have a state-backed certification for LGBTQ+-owned businesses.

Originally established by Gov. Phil Murphy in an executive order, the formal business certification process is now written permanently into state law.

While state officials say it positions LGBTQ+-owned businesses for certain financial benefits, such as contracting opportunities like those already carved out for women-, minority- and veteran-owned businesses through similar state certification programs, legislative sponsors and LGBTQ+ advocates are also hailing it as a major symbolic victory.

“This sends a clear message to all businesses looking to invest in New Jersey that we are a welcoming state,” said Gus Penaranda, executive director of the New Jersey Pride Chamber of Commerce.

According to a statement Murphy provided to NJ Spotlight News, making New Jersey’s LGBTQ+-owned businesses eligible for the state-backed certification fits in with a broader and more inclusive approach to economic development.

“Since day one of our Administration, our strategy has been to unleash broad-based economic growth for the state by creating new opportunities for every New Jerseyan,” Murphy said in the statement.

“We have been guided by our values every step of the way, and enacted historic policies to protect the rights and freedoms of every worker and every entrepreneur — so they can freely participate in the economy and contribute to our shared future,” he said.

## **Battle with Texas Gov. Abbott**

To be sure, this isn’t the first time Murphy — a second-term Democrat and former Wall Street executive who’s previously called himself a “pro-growth progressive” — has linked social values to his economic development goals.

Perhaps the best example of this approach played out in 2022, when Murphy pitched New Jersey’s strong abortion protections in a letter to dozens of out-of-state companies following the leaking of a pending U.S. Supreme Court ruling that upset decades of national legal precedent on abortion rights.

Murphy’s proposed tax on top-earning companies draws heated response from business groups “As a dangerous potential new reality dawns for women in other states across the nation, I am proud of what we have done in New Jersey to protect women’s health care,” Murphy wrote in the letter, according to published reports.

Murphy also emphasized concerns about values in a highly publicized back-and-forth with Texas Gov. Greg Abbott in 2018.

Abbott, a Republican, penned an op-ed published by the Star-Ledger newspaper that criticized Murphy for proposing tax hikes in New Jersey. He also made overtures to concerned New Jersey businesses and pitched Texas’ generally lower-tax environment.

In response, Murphy penned his own op-ed that questioned Abbott’s record on issues ranging from education to health care. He also highlighted New Jersey’s “commonsense gun safety laws” in the op-ed, which was published by The Dallas Morning News.

“It’s simple. If you’d like to be part of an economic revival in a state that recognizes the value of investments in public education, creates welcoming communities that protect LGBTQ residents and immigrants, defends a woman’s right to reproductive health care, then New Jersey is the place for you or your business,” Murphy wrote.

## **Fueling NJ’s high-tax rep**

Still, concern about New Jersey’s reputation for levying high taxes, including on corporations, remains a big part of ongoing debates about the state’s overall business climate.

And this year, Murphy is drawing new criticism from the New Jersey business community after proposing to hike taxes on the state’s most profitable corporations as part of a nearly \$56 billion proposed budget for the fiscal year that begins July 1.

He put forward the tax proposal less than two months after a similar, but not identical, business-tax surcharge that had been levied for the last several years in New Jersey was allowed to expire.

A letter sent earlier this month by the New Jersey Chamber of Commerce, as well as dozens of local and regional chambers of commerce in New Jersey, to every member of the Legislature focused on Murphy’s about-face on corporate taxes. It also highlighted other facets of his proposed budget, such as cuts to programs that cater to businesses.

## **Budgetary business**

“The budget will provide less support to an already overtaxed and over-regulated business community,” the letter said.

Push for state certification process to help LGBTQ-owned businesses

It remains to be seen what specific impact the proposed tax hike could have on New Jersey’s reputation among key business leaders, but concerns about cutbacks in investment and hiring have already been raised during recent legislative budget hearings.

According to John Boyd, a principal at Princeton-based The Boyd Company, a leading corporate-site consultant, Murphy’s tax proposal, if enacted, would mean New Jersey’s top-end corporation-business tax rate would remain the highest in the nation.

And that’s not something “New Jersey wants to be No. 1 in,” Boyd said.

“What’s not possible to ever quantify are the companies that don’t consider New Jersey from the outset of the site selection search. We call that ‘opportunity cost,’” he said.

Yet last year, New Jersey made the biggest jump in state-by-state rankings compiled by business-news network CNBC that take into account other issues beyond just taxes.

Moving up more than 20 spots in just a year's time, to 19th place, New Jersey scored its best grades in the categories of education, life, health and inclusion.

"I can think of no better measure of our success than, recently, CNBC named New Jersey as the most improved state in America for business," Murphy said earlier this year during the annual State of the State address before lawmakers in Trenton.

Nearly 150 New Jersey businesses had signed up for the state's LGBTQ+-business designation as of earlier this month, according to the Department of the Treasury, which oversees the certification process.

The certification is free to obtain for eligible New Jersey businesses which are defined by law as having at least 51% LGBTQ+ ownership. Certification is valid for five years, at which point the business must reapply, Treasury officials said.

"As the first state in the nation to codify a certification process for LGBTQ+ owned businesses, we are helping these enterprises succeed by supporting them in gaining new business opportunities, building new economic partnerships, and enhancing their visibility," Murphy said in the statement.

According to Boyd, the site selection expert, one area where an emphasis on "social impact" is an asset is with the film and television industry, which Murphy has been courting in recent years with lucrative tax credits as he seeks to reestablish New Jersey as a major film industry center.

Just last week, tax credits enacted by Murphy helped cement a "studio partner" deal with Netflix Inc., with the streaming giant making a 10-year commitment to occupy a major film studio in Monmouth County that Murphy says has the potential to create thousands of jobs and also benefit local small businesses and other vendors.

"Phil Murphy has been very effective in targeting the film industry," Boyd said.

"That's an industry that continues to be very sensitive to diversity and social impact, and that, in concert with New Jersey's pretty generous film incentives, potentially will be one of his economic development legacies," Boyd said.