



December 16, 2022

Senator Linda Greenstein  
State House  
Trenton, NJ 08625

**Re: Support for S2707**

Dear Senator Greenstein,

On behalf of Gusto, I would like to share our support for S2707 that would increase research expense tax credits for businesses and allow for those credits to be refundable.

Gusto is a people platform that empowers small to medium sized businesses (SMBs) to easily pay employees and contractors, remit taxes, stay compliant with legal obligations, and keep accurate records, while also providing a full suite of benefits (healthcare, workers comp, retirement) and digital productivity tools through API integration. In short, our software platform is designed to provide peace of mind to SMB owners and their teams. In New Jersey, we are proud to serve thousands of small businesses, typically with 100 or fewer employees and across all industries.

Gusto supports policies that increase access to capital, reduce entrepreneurial barriers, and incentivize business formation and growth. Tax credits for research and development (R&D) are essential to promoting growth for innovative early stage SMBs. In addition to incentivizing research, our customers report that the credit is an important source of capital utilized to prevent lay-offs, expand their teams, and/or offer employee benefits. Here are some facts about the companies that qualify for the R&D tax credit through Gusto:

- Employers range from fewer than 15 employees to companies with hundreds of employees.
- The qualifying Federal credit size ranges from a few thousand dollars to several hundreds of thousand dollars.
- Qualifying companies on Gusto's platform are located across the United States and come from a variety of industries: healthcare, financial services, communications, technology, manufacturing, etc.
- Gusto customers claim the credit through payroll deductions and income tax returns.

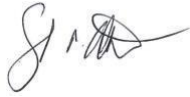
Our New Jersey customers who claimed the R&D credit last year, qualified for between thousands of dollars and over \$150,000 for tax year 2021. Unfortunately, none claimed the New Jersey credit, likely due to the fact that under current law, it is not refundable.

S2707 expands the research and development to make it refundable, and our data show that this will have a beneficial impact on small and early stage companies who need capital to grow and thrive.

New businesses on Gusto's platform cite tax credits as a top need for them to succeed in the current economic climate. New Jersey has prioritized increasing small business innovation and competitiveness, and they can help fulfill that goal by expanding state research credits expansion and allowing companies to deduct their expenses.

It is vital for the Legislature to support New Jersey's small to medium sized businesses during these precarious economic times. S2707 is a great step in the right direction and Gusto stands in full support.

Sincerely,

A handwritten signature in black ink, appearing to read "S. Abbott", with a stylized flourish extending to the right.

Steve Abbott

Head of Public Policy and Government Affairs

Gusto

