



Mercedes-Benz Latest to Leave New Jersey Owing to High Taxes

The rumors swirling around the Mercedes-Benz headquarters in Montvale, New Jersey were confirmed by the company's U.S. president, Stephen Cannon, on Tuesday: It would move its U.S. headquarters from Montvale to Atlanta, starting in July. The move would affect about 1,000 employees, about half of whom would likely be offered the opportunity to move with the company.

The decision to move was based on the high-cost and high-tax environment in New Jersey compared to Georgia, although one had to read between the lines of [the company's official statement to ferret that out:](#)



Mercedes-Benz

New Jersey has been a wonderful home to our U.S. operations for our first 50 years, and still is today. The state has worked tirelessly with us as we evaluated our options.

Ultimately, however, it became apparent that to achieve the sustained, profitable growth and efficiencies we require for the decades ahead, our headquarters would have to be located elsewhere.

That brought us to Atlanta.

Cannon added that it would be a nice place to live for those working in Montvale willing to relocate: "Atlanta offers a strong quality of life, terrific schools and wonderful cultural and recreational opportunities."

And lower taxes. Much lower taxes. According to the Tax Foundation, in its October report "Ranking the Best and Worst States for Business Taxes," New Jersey came in last, while Georgia ranked 36th. A careful look at that report revealed that a primary incentive for the company is that New Jersey ranked 41st in "Corporate Tax Rank" while Georgia ranked 8th.

Even that isn't the whole story. The Tax Foundation analyzed more than 100 tax variables in five different categories, including: corporate, individual income, sales, property, and unemployment insurance taxes. About New Jersey, the foundation noted,

New Jersey, for example, suffers from some of the highest property tax burdens in the country, is one of just two states to levy both an inheritance and an estate tax, and maintains some of the worst-structured individual income taxes in the country.

Combined, these result in New Jersey's tax burden on each taxpayer being *twice* that of Georgia's: \$6,675 for hapless New Jersey taxpayers compared to just \$3,237 for Georgia's.

The move by Mercedes-Benz just made economic sense. Said the report's authors:

Taxes matter to businesses, and those places with the most competitive tax systems will reap the



Written by [Bob Adelman](#) on January 8, 2015

benefits of business-friendly tax climates....

When a state imposes higher taxes than a neighboring state, businesses will cross [that] border.

When New Jersey Governor Chris Christie first learned that Mercedes-Benz was considering moving, he moved heaven and earth to keep it in Montvale. He and his chief economic development officer met several times with Cannon, offering him incentives, tax deferrals, and other subsidies, estimated to be between \$40 and \$50 million over the next few years, if he would stay. The company's payroll and property taxes amount to nearly \$1 million a year to Montvale, not to mention the economic ripple effect of supporting businesses nearby. But to no avail. Said Cannon:

[Christie] brought his Economic Development head with him. He said: "What's it going to take?"

I said, "Look, this isn't about us trying to chase the biggest pile of incentives, because that [is] not the driver [behind the decision]." In fact, incentives, when you look at the whole picture, it's just a small piece. We're making a 50-year decision, and a pile of incentives in Year One, Two or Three over a 50-year decision doesn't make a gigantic impact.

Indeed. Mercedes-Benz' parent company, Daimler AG, generates total annual revenues worldwide approaching \$150 billion, so such incentives hardly matter. Also, offering such incentives often hides the true state of affairs in New Jersey. As the Tax Foundation noted:

Lawmakers create these deals under the banner of job creation and economic development, but the truth is that if a state needs to offer such packages, it is most likely covering for a woeful business tax climate.

A far more effective approach is to systematically improve the business tax climate for the long term to improve the state's competitiveness.

New Jersey's lawmakers, however, apparently have little interest in creating a more competitive environment. The state has ranked at the very bottom of the Tax Foundation's ratings for three of the past four years, while ranking 49th in 2013.

This has resulted in numerous other major companies doing the same math as Mercedes-Benz, and moving off to better climates. In 2007, New Jersey boasted that it hosted 24 Fortune 500 companies, while that number dwindled to 21 in 2014. This despite efforts intended to stem the outflow that, according to the ChooseNJ.com website, including a "bi-partisan Red Tape Commission to cut the bureaucracy, a new public/private Partnership for Action organization to help attract and retain new businesses, and "lower taxes to make it easier to establish and grow a business and create jobs."

Businesses aren't buying the hype. In 2013, Hertz, the car-rental company, moved its headquarters — and its 550 jobs — from Park Ridge, New Jersey, to Estero, Florida. Last summer Sealed Air Corporation (the Bubble Wrap maker) announced its plans to move its headquarters from Elmwood Park, New Jersey, to Charlotte, North Carolina.

Mercedes joins a number of other carmakers who have also done the math and come to the same conclusion: Georgia is cheaper. Porsche is building its new headquarters near Atlanta's Hartsfield-Jackson Airport while Kia is building its first U.S. manufacturing facility 75 miles west of Atlanta.

After all is said and done, and Mercedes-Benz completes its new \$75 million headquarters in 2017, it will reduce its overhead by a breath-taking 20 percent a year, according to John Boyd, an advisor on corporate relocations. He added: "This move to Atlanta is far bigger than any incentive program" that Christie could offer.



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Although taxes aren't the only consideration in such a massive move, they play a key factor. Working in Georgia's favor is its airport with direct flights to Frankfurt, Germany, close by Daimler AG's world headquarters in Stuttgart. There are also those "terrific schools", its "strong quality of life," and its "wonderful cultural and recreational opportunities."

And half the taxes.

A graduate of an Ivy League school and a former investment advisor, Bob is a regular contributor to The New American magazine and blogs frequently at www.LightFromTheRight.com, primarily on economics and politics.



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