

54:10A-5.28 to 54:10A-5.34
LEGISLATIVE HISTORY CHECKLIST
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(Corporation business tax--credit)

NJSA: 54:10A-5.28 to 54:10A-5.34

LAWS OF: 1997 CHAPTER: 349

BILL NO: S445

SPONSOR(S): Singer & McGreevey

DATE INTRODUCED: January 18, 1996

COMMITTEE: ASSEMBLY: Appropriations
SENATE: Natural Resources; Budget

AMENDED DURING PASSAGE: Yes

DATE OF PASSAGE: ASSEMBLY: December 4, 1997 Re-enacted 1-12-98
SENATE: April 21, 1997 Re-enacted 1-12-98

DATE OF APPROVAL: January 15, 1998

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: ASSEMBLY: Yes
SENATE: Yes 5-9-96 & 1-14-97

FISCAL NOTE:

VETO MESSAGE: Yes

MESSAGE ON SIGNING: Yes

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: No

See newspaper clipping--attached:
"Three bills to lure high tech signed," 1-16-98, Asbury Park Press.

KBP:pp

§§1-3
C. 54:10A-5.28
To 54:10A-5.30
§4
T & E &
Note To
P.L. 1997, c.350 &
P.L. 1997, c.351
§5
Note To §§1-3

P.L. 1997, CHAPTER 349, *approved January 15, 1998*
Senate, No. 445 (*First Reprint*)

1 AN ACT providing a credit against the corporation business tax for
2 certain investments made in small New Jersey-based
3 high-technology businesses, and supplementing P.L.1945, c.162
4 (C.54:10A-1 et seq.).
5

6 **BE IT ENACTED** by the Senate and General Assembly of the State
7 of New Jersey:
8

9 1. This act shall be known and may be cited as the "Small New
10 Jersey-based High-Technology Business Investment Tax Credit Act."
11

12 2. As used in this act:

13 "Advanced computing" means a technology used in the designing
14 and developing of computing hardware and software, including
15 innovations in designing the full spectrum of hardware from hand-held
16 calculators to super computers, and peripheral equipment;

17 "Advanced materials" means materials with engineered properties
18 created through the development of specialized processing and
19 synthesis technology, including ceramics, high value-added metals,
20 electronic materials, composites, polymers, and biomaterials;

21 "Biotechnology" means the continually expanding body of
22 fundamental knowledge about the functioning of biological systems
23 from the macro level to the molecular and sub-atomic levels, as well
24 as novel products, services, technologies and sub-technologies
25 developed as a result of insights gained from research advances which
26 add to that body of fundamental knowledge;

27 "Control," with respect to a corporation, means ownership, directly
28 or indirectly, of stock possessing 80% or more of the total combined
29 voting power of all classes of the stock of the corporation entitled to

EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Senate amendments adopted in accordance with Governor's recommendations January 12, 1998.

1 vote; and "control," with respect to a trust, means ownership, directly
2 or indirectly, of 80% or more of the beneficial interest in the principal
3 or income of the trust. The ownership of stock in a corporation, of a
4 capital or profits interest in a partnership or association or of a
5 beneficial interest in a trust shall be determined in accordance with the
6 rules for constructive ownership of stock provided in subsection (c) of
7 section 267 of the federal Internal Revenue Code of 1986, 26
8 U.S.C. §267, other than paragraph (3) of subsection (c) of that section;

9 "Controlled group" means one or more chains of corporations
10 connected through stock ownership with a common parent corporation
11 if stock possessing at least 80% of the voting power of all classes of
12 stock of each of the corporations is owned directly or indirectly by one
13 or more of the corporations and the common parent owns directly
14 stock possessing at least 80% of the voting power of all classes of
15 stock of at least one of the other corporations;

16 "Director" means the Director of the Division of Taxation in the
17 Department of the Treasury;

18 "Electronic device technology" means a technology involving
19 microelectronics, semiconductors, electronic equipment, and
20 instrumentation, radio frequency, microwave, and millimeter
21 electronics, and optical and optic-electrical devices, or data and digital
22 communications and imaging devices;

23 "Environmental technology" means assessment and prevention of
24 threats or damage to human health or the environment, environmental
25 cleanup, or the development of alternative energy sources;

26 "Medical device technology" means a technology involving any
27 medical equipment or product (other than a pharmaceutical product)
28 that has therapeutic value, diagnostic value, or both, and is regulated
29 by the federal Food and Drug Administration;

30 "Partnership" means a syndicate, group, pool, joint venture or other
31 unincorporated organization through or by means of which any
32 business, financial operation or venture is carried on, and which is not
33 a trust or estate, a corporation or a sole proprietorship;

34 "Pilot scale manufacturing" means design, construction, and testing
35 of preproduction prototypes and models in the fields of advanced
36 computing, advanced materials, biotechnology, electronic device
37 technology, environmental technology, and medical device technology,
38 other than for commercial sale, excluding sales of prototypes or sales
39 for market testing if total gross receipts, as calculated pursuant to
40 section 6 of P.L.1945, c.162 (C.54:10A-6), from such sales of the
41 product, service or process do not exceed \$1,000,000;

42 "Qualified investment" means the non-refundable investment, at
43 risk in a small New Jersey-based high-technology business, of cash
44 that is transferred to the small New Jersey-based high-technology
45 business by a taxpayer that is not a related person of the small New
46 Jersey-based high-technology business, the transfer of which is in

1 connection with a transaction in exchange for stock, interests in
2 partnerships or joint ventures, licenses (exclusive or non-exclusive),
3 rights to use technology, marketing rights, warrants, options or any
4 items similar to those included herein, including but not limited to
5 options or rights to acquire any of the items included herein;

6 "Qualified research expenses" means qualified research expenses as
7 defined in section 41 of the federal Internal Revenue Code of 1986,
8 26 U.S.C. §41, as in effect on June 30, 1992, in the fields of advanced
9 computing, advanced materials, biotechnology, electronic device
10 technology, environmental technology, or medical device technology;

11 "Related person" means:

12 a. a corporation, partnership, association or trust controlled by the
13 taxpayer;

14 b. an individual, corporation, partnership, association or trust that
15 is in the control of the taxpayer;

16 c. a corporation, partnership, association or trust controlled by an
17 individual, corporation, partnership, association or trust that is in the
18 control of the taxpayer; or

19 d. a member of the same controlled group as the taxpayer;

20 "Small New Jersey-based high-technology business" means a
21 corporation doing business, employing or owning capital or property,
22 or maintaining an office, in this State that has qualified research
23 expenses paid or incurred for research conducted in this State or
24 conducts pilot scale manufacturing in this State, and has fewer than
25 225 employees, of whom 75% are New Jersey-based employees filling
26 a position or job in this State; and

27 "Tax year" means the fiscal or calendar accounting year of a
28 taxpayer.

29

30 3. a. A taxpayer shall be allowed a credit against the tax imposed
31 pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5), in an amount
32 equal to 10% of the qualified investment made by the taxpayer during
33 each of the three tax [year] years beginning on or after January 1
34 next following enactment of this act, in a small New Jersey-based
35 high-technology business, up to a maximum allowed credit of
36 [\$1,000,000] \$500,000 for the tax year for each qualified investment
37 made by the taxpayer. An unused credit may be carried forward for
38 use in future years, subject to the [\$1,000,000] \$500,000 per year
39 limitation.

40 b. A credit shall not be allowed pursuant to section 1 of P.L.1993,
41 c.175 (C.54:10A-5.24), for expenses paid from funds for which a
42 credit is allowed, or which are includable in the calculation of a credit
43 allowed, under this section.

44 The tax imposed for a tax year pursuant to section 5 of P.L.1945,
45 c.162, shall first be reduced by the amount of any credit allowed
46 pursuant to section 19 of P.L.1983, c.303 (C.52:27H-78), then by any

1 credit allowed pursuant to section 12 of P.L.1985, c.227 (C.55:19-13),
2 then by any credit allowed pursuant to section 42 of P.L.1987, c.102
3 (C.54:10A-5.3), then by any credit allowed under section 3 of
4 P.L.1993, c.170 (C.54:10A-5.6), then by any credit allowed under
5 section 3 or 4 of P.L.1993, c.171 (C.54:10A-5.18 or C.54:10A-5.19),
6 then by any credit allowed under section 1 of P.L.1993, c.175
7 (C.54:10A-5.24), and then by any credit allowed under section 1 of
8 P.L.1993, c.150 (C.27:26A-15), prior to applying any credits
9 allowable pursuant to this section. Credits allowable pursuant to this
10 section shall be applied in the order of the credits' tax years. The
11 amount of the credits applied under this section against the tax
12 imposed pursuant to section 5 of P.L.1945, c.162, for a tax year shall
13 not exceed 50% of the tax liability otherwise due and shall not reduce
14 the tax liability to an amount less than the statutory minimum provided
15 in subsection (e) of section 5 of P.L.1945, c.162.

16 c. Except as provided in subsection d. of this section, the amount
17 of tax year credit otherwise allowable under this section which cannot
18 be applied for the tax year due to the limitations of subsection b. of
19 this section may be carried over, if necessary, to the 15 tax years
20 following a credit's tax year.

21 d. A taxpayer may not carry over any amount of credit or credits
22 allowed under subsection a. of this section to a tax year during which
23 a corporate acquisition with respect to which the taxpayer was a target
24 corporation occurred or during which the taxpayer was a party to a
25 merger or a consolidation, or to any subsequent tax year, if the credit
26 was allowed for a tax year prior to the year of acquisition, merger or
27 consolidation, except that if in the case of a corporate merger or
28 corporate consolidation the taxpayer can demonstrate, through the
29 submission of a copy of the plan of merger or consolidation and such
30 other evidence as may be required by the director, the identity of the
31 constituent corporation which was the acquiring person, a credit
32 allowed to the acquiring person may be carried over by the taxpayer.
33 As used in this subsection, "acquiring person" means the constituent
34 corporation the stockholders of which own the largest proportion of
35 the total voting power in the surviving or consolidated corporation
36 after the merger or consolidation.

37
38 ¹4. Prior to December 31, 2001, the State Treasurer shall submit
39 a report to the Governor and the Legislature regarding the
40 effectiveness of this and P.L. , c. , (C.) (now pending before
41 the Legislature as Senate No.447 of 1996), and P.L. , c. (C.),
42 (now pending before the Legislature as Senate No.449 of 1996).¹

43

44 ¹[4.] 5.¹ This act shall take effect immediately and sections 1
45 through 3 shall apply to tax years beginning on or after January 1 next
46 following enactment.

1



2

3 Provides corporation business tax credit for certain investments in
4 small New Jersey-based high-technology businesses.

1 amount of the credits applied under this section against the tax
2 imposed pursuant to section 5 of P.L.1945, c.162, for a tax year shall
3 not exceed 50% of the tax liability otherwise due and shall not reduce
4 the tax liability to an amount less than the statutory minimum provided
5 in subsection (e) of section 5 of P.L.1945, c.162.

6 c. Except as provided in subsection d. of this section, the amount
7 of tax year credit otherwise allowable under this section which cannot
8 be applied for the tax year due to the limitations of subsection b. of
9 this section may be carried over, if necessary, to the 15 tax years
10 following a credit's tax year.

11 d. A taxpayer may not carry over any amount of credit or credits
12 allowed under subsection a. of this section to a tax year during which
13 a corporate acquisition with respect to which the taxpayer was a target
14 corporation occurred or during which the taxpayer was a party to a
15 merger or a consolidation, or to any subsequent tax year, if the credit
16 was allowed for a tax year prior to the year of acquisition, merger or
17 consolidation, except that if in the case of a corporate merger or
18 corporate consolidation the taxpayer can demonstrate, through the
19 submission of a copy of the plan of merger or consolidation and such
20 other evidence as may be required by the director, the identity of the
21 constituent corporation which was the acquiring person, a credit
22 allowed to the acquiring person may be carried over by the taxpayer.
23 As used in this subsection, "acquiring person" means the constituent
24 corporation the stockholders of which own the largest proportion of
25 the total voting power in the surviving or consolidated corporation
26 after the merger or consolidation.

27
28 4. This act shall take effect immediately and sections 1 through 3
29 shall apply to tax years beginning on or after January 1 next following
30 enactment.

31
32
33 STATEMENT

34
35 This bill provides a credit under the Corporation Business Tax for
36 investment by corporate taxpayers in small New Jersey-based
37 high-technology businesses that conduct research in New Jersey in
38 certain fields of science and technology or that conduct pilot scale
39 manufacturing in New Jersey in order to bring their high-technology
40 innovations into market production. Small high-technology businesses
41 are a vital and growing source of high-wage, high-skilled jobs in this
42 State. The high technology sector is a key component of the State's
43 effort to encourage economic growth and diversification. However,
44 in recent years the sources of funds necessary for the high initial
45 investments necessary in such business enterprises in this State,
46 including the availability of start-up equity financing, have not kept

1 pace with the potential for economic growth in this sector.

2 Small high-technology businesses incur significant costs associated
3 with research and development and pilot scale manufacturing many
4 years before a marketable product or service can be delivered. The
5 provision of a tax credit to corporate taxpayers for investments made
6 in such enterprises will provide an incentive to invest in these small
7 New Jersey businesses early in their development cycle, when they are
8 turning ideas into marketable products and services. The stimulation
9 of local corporate investment in small, emerging high-technology
10 enterprises in New Jersey will build upon the State's established
11 high-technology base, creating additional research and development
12 jobs and subsequent manufacturing facilities.

13 The tax credit is based upon 10% of investments made in each small
14 high-technology business with less than 225 employees, 75% of whom
15 have jobs in New Jersey. The utilization of the credit is limited to
16 \$1,000,000 per investment, per year, with carryforwards available for
17 unutilized credits. The investment must be a non-refundable
18 investment at risk in the small high-technology business. The small
19 high-technology business must conduct pilot scale manufacturing or
20 qualified research in New Jersey in the fields of advanced computing,
21 advanced materials, biotechnology, electronic device technology,
22 environmental technology, and medical device technology.

23

24

25

26

27 Provides corporation business tax credit for certain investments in
28 small New Jersey-based high-technology businesses.

[Passed Both Houses]

[First Reprint]

SENATE, No. 445

STATE OF NEW JERSEY

INTRODUCED JANUARY 18, 1996

By Senators SINGER, McGREEVEY, Kyrillos, Palaia, Inverso,
Assemblymen Felice, Cohen, Impreveduto, Bucco, LeFevre,
Augustine and Suliga

1 AN ACT providing a credit against the corporation business tax for
2 certain investments made in small New Jersey-based
3 high-technology businesses, and supplementing P.L.1945, c.162
4 (C.54:10A-1 et seq.).

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6 **BE IT ENACTED** by the Senate and General Assembly of the State
7 of New Jersey:

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9 1. This act shall be known and may be cited as the "Small New
10 Jersey-based High-Technology Business Investment Tax Credit Act."

11
12 2. As used in this act:

13 "Advanced computing" means a technology used in the designing
14 and developing of computing hardware and software, including
15 innovations in designing the full spectrum of hardware from hand-held
16 calculators to super computers, and peripheral equipment;

17 "Advanced materials" means materials with engineered properties
18 created through the development of specialized processing and
19 synthesis technology, including ceramics, high value-added metals,
20 electronic materials, composites, polymers, and biomaterials;

21 "Biotechnology" means the continually expanding body of
22 fundamental knowledge about the functioning of biological systems
23 from the macro level to the molecular and sub-atomic levels, as well
24 as novel products, services, technologies and sub-technologies
25 developed as a result of insights gained from research advances which
26 add to that body of fundamental knowledge;

EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Senate amendments adopted in accordance with Governor's recommendations January 12, 1998.

1 "Control," with respect to a corporation, means ownership, directly
2 or indirectly, of stock possessing 80% or more of the total combined
3 voting power of all classes of the stock of the corporation entitled to
4 vote; and "control," with respect to a trust, means ownership, directly
5 or indirectly, of 80% or more of the beneficial interest in the principal
6 or income of the trust. The ownership of stock in a corporation, of a
7 capital or profits interest in a partnership or association or of a
8 beneficial interest in a trust shall be determined in accordance with the
9 rules for constructive ownership of stock provided in subsection (c) of
10 section 267 of the federal Internal Revenue Code of 1986, 26
11 U.S.C. §267, other than paragraph (3) of subsection (c) of that section;

12 "Controlled group" means one or more chains of corporations
13 connected through stock ownership with a common parent corporation
14 if stock possessing at least 80% of the voting power of all classes of
15 stock of each of the corporations is owned directly or indirectly by one
16 or more of the corporations and the common parent owns directly
17 stock possessing at least 80% of the voting power of all classes of
18 stock of at least one of the other corporations;

19 "Director" means the Director of the Division of Taxation in the
20 Department of the Treasury;

21 "Electronic device technology" means a technology involving
22 microelectronics, semiconductors, electronic equipment, and
23 instrumentation, radio frequency, microwave, and millimeter
24 electronics, and optical and optic-electrical devices, or data and digital
25 communications and imaging devices;

26 "Environmental technology" means assessment and prevention of
27 threats or damage to human health or the environment, environmental
28 cleanup, or the development of alternative energy sources;

29 "Medical device technology" means a technology involving any
30 medical equipment or product (other than a pharmaceutical product)
31 that has therapeutic value, diagnostic value, or both, and is regulated
32 by the federal Food and Drug Administration;

33 "Partnership" means a syndicate, group, pool, joint venture or other
34 unincorporated organization through or by means of which any
35 business, financial operation or venture is carried on, and which is not
36 a trust or estate, a corporation or a sole proprietorship;

37 "Pilot scale manufacturing" means design, construction, and testing
38 of preproduction prototypes and models in the fields of advanced
39 computing, advanced materials, biotechnology, electronic device
40 technology, environmental technology, and medical device technology,
41 other than for commercial sale, excluding sales of prototypes or sales
42 for market testing if total gross receipts, as calculated pursuant to
43 section 6 of P.L.1945, c.162 (C.54:10A-6), from such sales of the
44 product, service or process do not exceed \$1,000,000;

45 "Qualified investment" means the non-refundable investment, at
46 risk in a small New Jersey-based high-technology business, of cash

1 that is transferred to the small New Jersey-based high-technology
2 business by a taxpayer that is not a related person of the small New
3 Jersey-based high-technology business, the transfer of which is in
4 connection with a transaction in exchange for stock, interests in
5 partnerships or joint ventures, licenses (exclusive or non-exclusive),
6 rights to use technology, marketing rights, warrants, options or any
7 items similar to those included herein, including but not limited to
8 options or rights to acquire any of the items included herein;

9 "Qualified research expenses" means qualified research expenses as
10 defined in section 41 of the federal Internal Revenue Code of 1986,
11 26 U.S.C. §41, as in effect on June 30, 1992, in the fields of advanced
12 computing, advanced materials, biotechnology, electronic device
13 technology, environmental technology, or medical device technology;

14 "Related person" means:

15 a. a corporation, partnership, association or trust controlled by the
16 taxpayer;

17 b. an individual, corporation, partnership, association or trust that
18 is in the control of the taxpayer;

19 c. a corporation, partnership, association or trust controlled by an
20 individual, corporation, partnership, association or trust that is in the
21 control of the taxpayer; or

22 d. a member of the same controlled group as the taxpayer;

23 "Small New Jersey-based high-technology business" means a
24 corporation doing business, employing or owning capital or property,
25 or maintaining an office, in this State that has qualified research
26 expenses paid or incurred for research conducted in this State or
27 conducts pilot scale manufacturing in this State, and has fewer than
28 225 employees, of whom 75% are New Jersey-based employees filling
29 a position or job in this State; and

30 "Tax year" means the fiscal or calendar accounting year of a
31 taxpayer.

32

33 3. a. A taxpayer shall be allowed a credit against the tax imposed
34 pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5), in an amount
35 equal to 10% of the qualified investment made by the taxpayer during
36 'each of' the 'three' tax '[year] years beginning on or after January
37 1 next following enactment of this act.'¹ in a small New Jersey-based
38 high-technology business, up to a maximum allowed credit of
39 '[\$1,000,000] \$500,000'¹ for the tax year for each qualified
40 investment made by the taxpayer. An unused credit may be carried
41 forward for use in future years, subject to the '[\$1,000,000]
42 \$500,000'¹ per year limitation.

43 b. A credit shall not be allowed pursuant to section 1 of P.L.1993,
44 c.175 (C.54:10A-5.24), for expenses paid from funds for which a
45 credit is allowed, or which are includable in the calculation of a credit
46 allowed, under this section.

1 The tax imposed for a tax year pursuant to section 5 of P.L.1945,
2 c.162, shall first be reduced by the amount of any credit allowed
3 pursuant to section 19 of P.L.1983, c.303 (C.52:27H-78), then by any
4 credit allowed pursuant to section 12 of P.L.1985, c.227 (C.55:19-13),
5 then by any credit allowed pursuant to section 42 of P.L.1987, c.102
6 (C.54:10A-5.3), then by any credit allowed under section 3 of
7 P.L.1993, c.170 (C.54:10A-5.6), then by any credit allowed under
8 section 3 or 4 of P.L.1993, c.171 (C.54:10A-5.18 or C.54:10A-5.19),
9 then by any credit allowed under section 1 of P.L.1993, c.175
10 (C.54:10A-5.24), and then by any credit allowed under section 1 of
11 P.L.1993, c.150 (C.27:26A-15), prior to applying any credits
12 allowable pursuant to this section. Credits allowable pursuant to this
13 section shall be applied in the order of the credits' tax years. The
14 amount of the credits applied under this section against the tax
15 imposed pursuant to section 5 of P.L.1945, c.162, for a tax year shall
16 not exceed 50% of the tax liability otherwise due and shall not reduce
17 the tax liability to an amount less than the statutory minimum provided
18 in subsection (e) of section 5 of P.L.1945, c.162.

19 c. Except as provided in subsection d. of this section, the amount
20 of tax year credit otherwise allowable under this section which cannot
21 be applied for the tax year due to the limitations of subsection b. of
22 this section may be carried over, if necessary, to the 15 tax years
23 following a credit's tax year.

24 d. A taxpayer may not carry over any amount of credit or credits
25 allowed under subsection a. of this section to a tax year during which
26 a corporate acquisition with respect to which the taxpayer was a target
27 corporation occurred or during which the taxpayer was a party to a
28 merger or a consolidation, or to any subsequent tax year, if the credit
29 was allowed for a tax year prior to the year of acquisition, merger or
30 consolidation, except that if in the case of a corporate merger or
31 corporate consolidation the taxpayer can demonstrate, through the
32 submission of a copy of the plan of merger or consolidation and such
33 other evidence as may be required by the director, the identity of the
34 constituent corporation which was the acquiring person, a credit
35 allowed to the acquiring person may be carried over by the taxpayer.
36 As used in this subsection, "acquiring person" means the constituent
37 corporation the stockholders of which own the largest proportion of
38 the total voting power in the surviving or consolidated corporation
39 after the merger or consolidation.

40
41 '4. Prior to December 31, 2001, the State Treasurer shall submit
42 a report to the Governor and the Legislature regarding the
43 effectiveness of this and P.L. , c. , (C.) (now pending before
44 the Legislature as Senate No.447 of 1996), and P.L. , c. (C.).
45 (now pending before the Legislature as Senate No.449 of 1996).¹

1 ¹**[4.]** 5¹ This act shall take effect immediately and sections 1
2 through 3 shall apply to tax years beginning on or after January 1 next
3 following enactment.

4

5

6

7 Provides corporation business tax credit for certain investments in
8 small New Jersey-based high-technology businesses.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 445

STATE OF NEW JERSEY

DATED: NOVEMBER 6, 1997

The Assembly Appropriations Committee reports favorably Senate Bill No. 445.

Senate Bill No. 445 provides a credit under the corporation business tax for corporate taxpayer investment in small New Jersey-based high-technology businesses that conduct research in New Jersey in certain fields of science and technology or that conduct pilot scale manufacturing in New Jersey in order to bring their high-technology innovations into market production.

The tax credit is based on 10 percent of investments made in each small high-technology business with fewer than 225 employees, 75 percent of whom have jobs in New Jersey. The utilization of the credit is limited to \$1 million per investment, per year, with carryforwards available for unutilized credits. The investment must be a non-refundable investment at risk in the small high-technology business. The small high-technology business must conduct pilot scale manufacturing or qualified research in New Jersey in the fields of advanced computing, advanced materials, biotechnology, electronic device technology, environmental technology, and medical device technology.

This bill is identical to Assembly Bill No. 1505.

FISCAL IMPACT:

The Division of Taxation in the Department of the Treasury has estimated that this bill could result in an annual, continuing loss of General Fund revenue of \$6.25 million per year beginning in FY 1998.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 445

STATE OF NEW JERSEY

DATED: JANUARY 14, 1997

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 445 of 1996.

Senate Bill No. 445 provides a credit under the Corporation Business Tax for investment by corporate taxpayers in small New Jersey-based high-technology businesses that conduct research in New Jersey in certain fields of science and technology or that conduct pilot scale manufacturing in New Jersey in order to bring their high-technology innovations into market production.

The tax credit is based upon 10 percent of investments made in each small high-technology business with fewer than 225 employees, 75 percent of whom have jobs in New Jersey. The utilization of the credit is limited to \$1 million per investment, per year, with carryforwards available for unutilized credits. The investment must be a non-refundable investment at risk in the small high-technology business. The small high-technology business must conduct pilot scale manufacturing or qualified research in New Jersey in the fields of advanced computing, advanced materials, biotechnology, electronic device technology, environmental technology, and medical device technology.

According to the sponsor, small high-technology businesses incur significant costs associated with research and development and pilot scale manufacturing many years before a marketable product or service can be delivered. The provision of a tax credit to corporate taxpayers for investments made in such enterprises will provide an incentive to invest in these small New Jersey businesses early in their development cycle, when they are turning ideas into marketable products and services. The stimulation of local corporate investment in small, emerging high-technology enterprises in New Jersey will build upon the State's established high-technology base, creating additional research and development jobs and subsequent manufacturing facilities.

As reported, this bill is identical to Assembly Bill No. 1505 of 1996 (Felice/Cohen).

FISCAL IMPACT

In a fiscal note prepared by the Office of Legislative Services (OLS), the Division of Taxation in the Department of the Treasury estimates that this bill could result in an annual, continuing loss of General Fund revenue of \$6.25 million per year beginning in fiscal year 1998.

SENATE NATURAL RESOURCES AND ECONOMIC
DEVELOPMENT COMMITTEE

STATEMENT TO

SENATE, No. 445

STATE OF NEW JERSEY

DATED: MAY 9, 1996

The Senate Natural Resources and Economic Development Committee favorably reports Senate Bill No. 445.

This bill provides a credit under the Corporation Business Tax for investment by corporate taxpayers in small New Jersey-based high-technology businesses that conduct research in New Jersey in certain fields of science and technology or that conduct pilot scale manufacturing in New Jersey in order to bring their high-technology innovations into market production. Small high-technology businesses are a vital and growing source of high-wage, high-skilled jobs in this State. The high technology sector is a key component of the State's effort to encourage economic growth and diversification. However, in recent years the sources of funds necessary for the high initial investments necessary in such business enterprises in this State, including the availability of start-up equity financing, have not kept pace with the potential for economic growth in this sector.

Small high-technology businesses incur significant costs associated with research and development and pilot scale manufacturing many years before a marketable product or service can be delivered. The provision of a tax credit to corporate taxpayers for investments made in such enterprises will provide an incentive to invest in these small New Jersey businesses early in their development cycle, when they are turning ideas into marketable products and services. The stimulation of local corporate investment in small, emerging high-technology enterprises in New Jersey will build upon the State's established high-technology base, creating additional research and development jobs and subsequent manufacturing facilities.

The tax credit is based upon 10% of investments made in each small high-technology business with less than 225 employees, 75% of whom have jobs in New Jersey. The utilization of the credit is limited to \$1,000,000 per investment, per year, with carryforwards available for unutilized credits. The investment must be a non-refundable investment at risk in the small high-technology business. The small high-technology business must conduct pilot scale manufacturing or qualified research in New Jersey in the fields of advanced computing, advanced materials, biotechnology, electronic device technology, environmental technology, and medical device technology.

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RELEASE: THURSDAY,
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GOV. CHRISTIE WHITMAN SIGNS PACKAGE OF BILLS PROVIDING TAX INCENTIVES TO HIGH TECH FIRMS EXPANDING IN NEW JERSEY

Gov. Christie Whitman today continued her efforts to spur economic growth and job creation in New Jersey when she signed a package of bills providing tax incentives that will encourage the development and expansion of high-technology businesses in the state.

"These bills will help nurture the growth of our many start-up and smaller high-tech companies," Gov. Whitman said. "The technology field is undergoing explosive growth. And so often the ideas that will set the industry standard tomorrow are just starting up in somebody's garage today."

"High tech jobs pay high salaries," she said. "In fact, among high-tech companies nationwide, New Jersey's high-tech jobs earn the second highest salaries -- nearly \$56,000 a year. That's 65 percent higher than the average private sector wage in our state."

"New Jersey has a great deal to offer high-tech companies," Whitman said. "Our work force is among the nation's best -- well-educated and highly skilled. Our location is unbeatable -- with convenient access to transportation and capital markets. And we already have the prestige of being home to many of the world's leading high-tech companies."

"But if we're going to keep our leading edge, we have to stay a few steps ahead of the rest of the pack," she added. "And that's what this package of bills does."

(more)

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The bills the Governor signed are:

S-445, sponsored by Senator Robert Singer (R-Burlington/Monmouth/Ocean) and former Senator Jim McGreevey (D-Middlesex) and Assembly Members Nick Felice (R-Bergen/Passaic) and Neil Cohen (D-Union), provides corporation business tax credit (CBT) for certain investments in small New Jersey-based high technology businesses. The maximum tax credit allowable under the bill is \$500,000 for investments in small New Jersey-based high technology firms with gross receipts from start-up manufacturing under \$1 million. The bill will apply beginning January 1, 1999 for a three-year period to allow the state time to assess the impact of the tax credit.

S-447, sponsored by Senator Singer and former Senator McGreevey and Assembly Members Felice and Anthony Impreveduto (D-Bergen/Hudson), extends the net operating loss deduction carryforward under the CBT for certain high-technology companies from seven to 15 years. The net operating loss deduction carryforward under the corporate business tax will apply prospectively for operating losses that occur during the next three business tax years beginning after July 1, 1998. A report will be issued by the Department of Treasury after the three-year period before it is made a permanent part of the tax code.

S-449, sponsored by Senator Singer and former Senator McGreevey and Assembly Members Impreveduto and Cohen, will provide a 15-year carryforward of research and development tax credit under the corporation business tax for certain high-technology companies. The longer carryforward time under the CBT will apply prospectively for operating losses that occur during the next three business tax years, beginning after July 1, 1998. A report will be issued by the Department of Treasury after the three-year period before it is made a permanent part of the tax code.

The Governor on Monday signed a companion measure, **S-446**, regarding the transfer of corporate business tax certificates for high technology firms. The bill, sponsored by Senator Singer and former Senator McGreevey and Assembly Members Felice and Impreveduto requires the New Jersey Economic Development Authority to administer a corporate business tax benefit certificate program. This program will allow new or expanding technology and biotechnology companies to apply to the EDA to transfer certain tax benefits to other corporate business taxpayers. The transferable tax benefits are unused carryover of research and development tax credits and unused net operating loss carry over.

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