



§1  
C. 54:10A-5.24b  
§2  
Note

P.L. 1997, CHAPTER 351, *approved January 15, 1998*  
Senate, No. 449 (*Second Reprint*)

1 AN ACT extending for certain taxpayers the carryforward of the  
2 research and development tax credit against the corporation  
3 business tax, and supplementing <sup>1</sup>[P.L.1983]P.L.1993<sup>1</sup>, c.175  
4 (C.54:10A-5.24).

5  
6 **BE IT ENACTED** by the Senate and General Assembly of the State  
7 of New Jersey:

8  
9 1. <sup>1</sup>a.<sup>1</sup> Notwithstanding the provisions of subsection b. of section  
10 1 of P.L.1993, c.175 (C.54:10A-5.24) to the contrary, a taxpayer that  
11 has been allowed a credit pursuant to that section for the fiscal or  
12 calendar accounting period (referred to hereafter as the "tax year") in  
13 which the qualified research <sup>1</sup>[payments] expenses<sup>1</sup> have been  
14 incurred <sup>1</sup>,and basic research payments have been made, for research  
15 conducted<sup>1</sup> in this State in the fields of advanced computing, advanced  
16 materials, biotechnology, electronic device technology, environmental  
17 technology, and medical device technology, shall be allowed to carry  
18 over the amount of the tax year credit which cannot be applied for the  
19 tax year to each of the 15 tax years following the credit's tax year.

20 b. As used in this section:

21 "Advanced computing" means a technology used in the designing  
22 and developing <sup>1</sup>of computing hardware and software, including<sup>1</sup>  
23 innovations in designing the full spectrum of hardware from hand-held  
24 calculators to super computers, and peripheral equipment;

25 "Advanced materials" means materials with engineered properties  
26 created through the development of specialized processing and  
27 synthesis technology, including ceramics, high value-added metals,  
28 electronic materials, composites, polymers, and biomaterials<sup>1</sup>[.];<sup>1</sup>

29 "Biotechnology" means the continually expanding body of  
30 fundamental knowledge about the functioning of

**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:**

<sup>1</sup> Senate SNR committee amendments adopted May 9, 1996.

<sup>2</sup> Senate amendments adopted in accordance with Governor's recommendations January 12, 1998.

1 '[biotechnology]biological<sup>1</sup> systems from the macro level to the  
2 molecular and sub-atomic levels, as well as novel products, services,  
3 technologies and sub-technologies developed as a result of insights  
4 gained from research advances which add to that body of fundamental  
5 knowledge;

6 "Electronic device technology" means a technology involving  
7 microelectronics, semiconductors, electronic equipment, and  
8 instrumentation, radio frequency, microwave, and millimeter  
9 electronics, and optical and optic-electrical devices, or data and digital  
10 communications and imaging devices;

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

14 "Medical device technology" means a technology involving any  
15 medical equipment or product (other than a pharmaceutical product)  
16 that has therapeutic value, diagnostic value, or both, and is regulated  
17 by the federal Food and Drug Administration.

18

19 2. This act shall take effect immediately <sup>2</sup>[and section 1 shall apply  
20 to tax years beginning on or after January 1 next following enactment]  
21 but shall apply only to qualified research expenses incurred and basic  
22 research payments made during privilege periods which begin on or  
23 after July 1, 1998, but no later than June 30, 2001<sup>2</sup>.

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28 Provides 15 year carryforward of research and development tax credit  
29 under the corporation business tax for certain high-technology  
30 companies.

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11  
12  
13 STATEMENT  
14

15 This bill extends the carryforward of the research and development  
16 tax credit under the corporation business tax from seven to 15 years  
17 for certain advanced technology corporations. The research and  
18 development tax credit allows a credit for increases in qualified  
19 research expenditures over a base amount and for certain basic  
20 research payments incurred in New Jersey beginning in January, 1994.  
21 Generally, the credit may be carried forward up to seven years if it  
22 cannot be used because of tax liability limitations.

23 However, high-technology businesses in the fields of advanced  
24 computing, advanced materials, biotechnology, electronic device  
25 technology often must invest in years of research before reaching a  
26 stage in their business development cycle when they can maintain a  
27 taxable business profit. Extending the carryforward period of the  
28 research and development tax credit for these high-technology firms  
29 will increase the likelihood that the credit will serve as a useful tax  
30 incentive to those corporations whose research efforts may not bear  
31 profits under the corporation business tax for an extended period of  
32 time.

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37 Provides 15 year carryforward of research and development tax credit  
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39 companies.

[Passed Both Houses]

[Second Reprint]

SENATE, No. 449

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# STATE OF NEW JERSEY

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INTRODUCED JANUARY 18, 1996

By Senators SINGER, McGREEVEY, Kyrillos, Palaia, Inverso,  
Assemblymen Cohen, Impreveduto and Suliga

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13 which the qualified research <sup>1</sup>**[payments]** expenses<sup>1</sup> have been  
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1 electronic materials, composites, polymers, and biomaterials<sup>1</sup> **[.]**<sup>1</sup>

2 "Biotechnology" means the continually expanding body of  
3 fundamental knowledge about the functioning of  
4 <sup>1</sup> **[biotechnology]** biological<sup>1</sup> systems from the macro level to the  
5 molecular and sub-atomic levels, as well as novel products, services,  
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26 after July 1, 1998, but no later than June 30, 2001<sup>2</sup>.

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31 Provides 15 year carryforward of research and development tax credit  
32 under the corporation business tax for certain high-technology  
33 companies.

# ASSEMBLY APPROPRIATIONS COMMITTEE

## STATEMENT TO

[First Reprint]

**SENATE, No. 449**

# **STATE OF NEW JERSEY**

DATED: NOVEMBER 6, 1997

The Assembly Appropriations Committee reports favorably Senate Bill No. 449 (1R).

Senate Bill No. 449 (1R) extends the carryforward of the research and development tax credit under the corporation business tax from seven to 15 years for certain advanced technology corporations.

The research and development tax credit allows a credit for increases in qualified research expenditures over a base amount and for certain basic research payments incurred in New Jersey beginning in January, 1994. Currently, this credit may be carried forward up to seven years after the tax year in which the eligible expenditures are incurred if the full amount of the credit cannot be used because of tax liability limitations.

For high-technology businesses in the fields of advanced computing, advanced materials, biotechnology, electronic device technology, environmental technology, and medical device technology this bill extends the carryforward period of the research and development tax credit from seven to 15 years following a credit's tax year.

This bill is identical to Assembly Bill No. 2001, as amended and reported by this committee.

### FISCAL IMPACT:

In a fiscal note prepared by the Office of Legislative Services, the Division of Taxation in the Department of Treasury noted that any annual revenue loss would not begin to occur until the extension of the credit carryforward commences in fiscal year 2005, which would be the expected first fiscal year following the current, maximum, seven year credit carryforward period. According to the division the revenue loss would gradually increase after this point and reach a plateau of \$1.5 million per year in fiscal year 2012.

SENATE NATURAL RESOURCES AND ECONOMIC  
DEVELOPMENT COMMITTEE

STATEMENT TO

**SENATE, No. 449**

with committee amendments

**STATE OF NEW JERSEY**

DATED: MAY 9, 1996

The Senate Natural Resources and Economic Development Committee favorably reports Senate Bill No. 449 with committee amendments.

This bill extends the carryforward of the research and development tax credit under the corporation business tax from seven to 15 years for certain advanced technology corporations. The research and development tax credit allows a credit for increases in qualified research expenditures over a base amount and for certain basic research payments incurred in New Jersey beginning in January, 1994. Generally, the credit may be carried forward up to seven years if it cannot be used because of tax liability limitations.

However, high-technology businesses in the fields of advanced computing, advanced materials, biotechnology, electronic device technology often must invest in years of research before reaching a stage in their business development cycle when they can maintain a taxable business profit. Extending the carryforward period of the research and development tax credit for these high-technology firms will increase the likelihood that the credit will serve as a useful tax incentive to those corporations whose research efforts may not bear profits under the corporation business tax for an extended period of time.

The committee amendments are technical in nature and serve to clarify the intent of the sponsors.



# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

[First Reprint]

**SENATE, No. 449**

# **STATE OF NEW JERSEY**

DATED: JANUARY 14, 1997

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 449 (1R) of 1996.

Senate Bill No. 449 (1R) extends the carryforward of the research and development tax credit under the corporation business tax from seven to 15 years for certain advanced technology corporations. The research and development tax credit allows a credit for increases in qualified research expenditures over a base amount and for certain basic research payments incurred in New Jersey beginning in January, 1994.

Currently, this credit may be carried forward up to seven years after the tax year in which the eligible expenditures are incurred if the full amount of the credit cannot be used because of tax liability limitations. However, for high-technology businesses in the fields of advanced computing, advanced materials, biotechnology, electronic device technology, environmental technology, and medical device technology this bill extends the carryforward period of the research and development tax credit from seven to 15 years following a credit's tax year.

### FISCAL IMPACT

In a fiscal note prepared by the Office of Legislative Services, the Division of Taxation in the Department of Treasury notes that any annual revenue loss would not begin to occur until the extension of the credit carryforward commences in fiscal year 2005, which would be the first fiscal year following the current, maximum, seven year credit carryforward period. According to the division the revenue loss would gradually increase after this point and reach a plateau of \$1.5 million per year in fiscal year 2012.

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## OFFICE OF THE GOVERNOR NEWS RELEASE

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CONTACT: PETE MCDONOUGH  
          GENE HERMAN  
          609 777-2600

TRENTON, NJ 08625  
RELEASE: THURSDAY,  
          January 15, 1997

### 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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PRESS**

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# 3 bills to lure high tech signed

By **SUSAN K. LIVIO**  
STATEHOUSE BUREAU

**TRENTON** — Gov. Whitman signed legislation yesterday aimed at enhancing the state's status as "a high-tech mecca" by attracting more technology businesses through tax incentives.

"These bills will help nurture the growth of many start-up and smaller high-tech companies," Whitman said during a ceremony at the Statehouse. "The technology field is undergoing explosive growth. So often the ideas that will set the industry standard tomorrow are starting up in somebody's garage today."

Whitman conceded the bills are very technical, "but their effect could be summed up quite simply as more jobs, greater opportunities and a better future for the state of New Jersey."

One bill (S-445) provides tax credits for investments made in technology firms employing fewer than 225 people. It was sponsored by Sen. Robert W. Singer, R-Ocean; former Sen. James E. McGreevey, D-Middlesex, and Assemblymen Nicholas Felice, R-Bergen, and Neil Cohen, R-Union.

Another measure (S-447) would allow technology companies to deduct losses under the corporate business tax for 15 consecutive years instead of seven. That bill was sponsored by Singer, McGreevey, Felice and Assemblyman Anthony Impreveduto, D-Hudson.

A third bill (S-449), by Singer, McGreevey, Impreveduto and Cohen, provides expanded research and development tax credits for technology companies.

The changes take effect next year and will last for three years, to allow the state time to assess the impact. The legislation applies to losses occurring between July 1998 and 2001.

On Monday, Whitman signed into law a bill (S-446) that authorizes the New Jersey Economic Development Authority to operate a tax credit program to which technology and biotechnology companies would apply.