

54:10A-5.16 to 54:10A-5.21

LEGISLATIVE HISTORY CHECKLIST
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(Manufacturing Equipment & Employment
Investment Tax Credit Act)

NJSA: 54:10A-5.16 to 54:10A-5.21

LAWS OF: 1993 **CHAPTER:** 171

BILL NO: S1820

SPONSOR(S) Sinagra

DATE INTRODUCED: May 13, 1993

COMMITTEE: **ASSEMBLY:** Joint Legislative Committee on Economic Recovery
SENATE: ---

AMENDED DURING PASSAGE: Yes Amendments during passage denoted by superscript numbers

DATE OF PASSAGE: **ASSEMBLY:** June 17, 1993
SENATE: June 17, 1993

DATE OF APPROVAL: July 7, 1993

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: **ASSEMBLY:** No Joint Legislative Committee on Economic Recovery
SENATE: No

FISCAL NOTE: No

VETO MESSAGE: No

MESSAGE ON SIGNING: No

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: No
For hearings see Legislative History fo 1993, c170

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[FIRST REPRINT]
SENATE, No. 1820

STATE OF NEW JERSEY

INTRODUCED MAY 13, 1993

By Senator SINAGRA

1 AN ACT providing a credit against corporation business tax
2 liability for investment in certain manufacturing equipment
3 and for certain increased employment, supplementing P.L.1945,
4 c.162 (C.54:10A-1 et seq.).

5

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

8 1. This act shall be known and may be cited as the
9 "Manufacturing Equipment and Employment Investment ¹Tax¹
10 Credit Act."

11 2. For the purposes of this act:

12 "Control," with respect to a corporation, means ownership,
13 directly or indirectly, of stock possessing 50% or more of the
14 total combined voting power of all classes of the stock of the
15 corporation entitled to vote; "control," with respect to a trust,
16 means ownership, directly or indirectly, of 50% or more of the
17 beneficial interest in the principal or income of the trust. The
18 ownership of stock in a corporation, of a capital or profits
19 interest in a partnership or association or of a beneficial interest
20 in a trust shall be determined in accordance with the rules for
21 constructive ownership of stock provided in subsection (c) of
22 section 267 of the federal Internal Revenue Code of 1986, 26
23 U.S.C. §267, other than paragraph (3) of subsection (c) of that
24 section.

25 "Controlled group" means one or more chains of corporations
26 connected through stock ownership with a common parent
27 corporation if stock possessing at least 50% of the voting power
28 of all classes of stock of each of the corporations is owned
29 directly or indirectly by one or more of the corporations; and the
30 common parent owns directly stock possessing at least 50% of the
31 voting power of all classes of stock of at least one of the other
32 corporations.

33 "Director" means the Director of the Division of Taxation in
34 the Department of the Treasury.

35 "Full-time employee" means an employee working for the
36 taxpayer for at least 140 hours per month at a wage not less than
37 the State or federal minimum wage, if either minimum wage
38 provision is applicable to the business, on a permanent basis,
39 which does not include employment that is temporary or seasonal.

40 "Investment credit base" means the cost of qualified
41 equipment. The cost of qualified equipment shall not include the

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

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ JCER committee amendments adopted June 10, 1993.

1 value of equipment given in trade or exchange for the equipment
2 purchased for business relocation or expansion. If equipment is
3 damaged or destroyed by fire, flood, storm or other casualty, or
4 is stolen, the cost of replacement equipment shall not include any
5 insurance proceeds received in compensation for the loss. In the
6 case of self-constructed equipment, the cost thereof shall be the
7 amount properly charged to the capital account for depreciation
8 in accordance with federal income tax law. The cost of
9 equipment acquired by written lease is the minimum amount
10 required by the agreement, agreements, contract or contracts to
11 be paid over the term of the lease, provided however, that the
12 minimum amount shall not include any amount required to be
13 paid, as determined by the director, after the expiration of the
14 useful life of the equipment.

15 "Number of new employees" means the increase in the average
16 number of full-time employees and full-time employee
17 equivalents residing and domiciled in this State employed at work
18 locations in this State from the employment base year to the
19 employment measurement year. The employment base year is
20 the tax year immediately preceding the tax year for which the
21 credit pursuant to section 3 of P.L. . c. (C.) (now pending
22 before the legislature as this bill), is allowed, provided that if the
23 taxpayer was not subject to tax and did not have a tax year
24 immediately proceed the tax year for which a credit pursuant to
25 section 3 of P.L. , c. (C.), was allowed the employment
26 base year is the tax year in which the credit pursuant to section 3
27 of P.L. , c. (C.), was allowed. The measurement year is the
28 tax year immediately following the tax year in which the credit
29 pursuant to section 3 of P.L. , c. (C.), was allowed. The
30 hours of part-time employees shall be aggregated to determine
31 the number of full-time employee equivalents.

32 "Part-time employee" means an employee working for the
33 taxpayer for at least 20 hours per week for at least six months
34 during the tax year.

35 "Purchase" means any acquisition of property, including an
36 acquisition pursuant to a lease, but only if:

37 a. the property is not acquired from a person whose
38 relationship to the person acquiring it would result in the
39 disallowance of deductions under section 267 or subsection (b) of
40 section 707 of the federal Internal Revenue Code of 1986, 26
41 U.S.C. §267 or §707.

42 b. the property is not acquired by one member of a controlled
43 group from another member of the same controlled group. The
44 director may waive this requirement if the property was acquired
45 from a related person for its then fair market value; and

46 c. the basis of the property for federal income tax purposes, in
47 the hands of the person acquiring it, is not determined:

48 (1) in whole or in part by reference to the federal adjusted
49 basis of such property in the hands of the person from whom it
50 was acquired; or

51 (2) under subsection (e) of section 1014 of the federal Internal
52 Revenue Code of 1986, 26 U.S.C. §1014.

53 "Qualified equipment" means machinery, apparatus or
54 equipment acquired by purchase for use or consumption by the

1 taxpayer directly and primarily in the production of tangible
2 personal property by manufacturing, processing, assembling or
3 refining, as defined pursuant to subsection a. of section 25 of
4 P.L.1980, c.105 (C.54:32B-8.13),¹ having a useful life of four or
5 more years, placed in service in this State ¹[during the first or
6 second tax year commencing in the first or second calendar year
7 following the enactment of P.L. , c. (C.)](now pending
8 before the legislature as this bill)]¹. Qualified equipment does
9 not include tangible personal property which the taxpayer
10 contracts or agrees to lease or rent to another person or licenses
11 another person to use.

12 "Related person" means:

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

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

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

20 d. a member of the same controlled group as the taxpayer.

21 "Tax year" means the fiscal or calendar accounting year of a
22 taxpayer.

23 3. a. A taxpayer shall be allowed a credit against the tax
24 imposed pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5), in
25 an amount equal to 2% of the investment credit base of qualified
26 equipment placed in service in the tax year, up to a maximum
27 allowed credit for the tax year of \$1,000,000,

28 b. The tax imposed for the tax year pursuant to section 5 of
29 P.L.1945, c.162, shall first be reduced by the amount of any
30 credit allowed pursuant to section 19 of P.L.1983, c.303
31 (C.52:27H-78), then by any credit allowed pursuant to section 12
32 of P.L.1985, c.227 (C.55:19-13), then by any credit allowed
33 pursuant to section 42 of P.L.1987, c.102 (C.54:10A-5.3), prior to
34 applying any credits allowable pursuant to this section. Credits
35 allowable pursuant to this section shall be applied in the order of
36 the credits' tax years. The amount of the credits applied under
37 this section ¹and section 4 of P.L. , c. (C.) (now pending
38 before the Legislature as this bill),¹ against the tax imposed
39 pursuant to section 5 of P.L.1945, c.162, for a tax year shall not
40 exceed 50% of the tax liability otherwise due and shall not reduce
41 the tax liability to an amount less than the statutory minimum
42 provided in subsection (e) of section 5 of P.L.1945, c.162.

43 c. The amount of tax year credit otherwise allowable under
44 subsection a. of this section which cannot be applied for the tax
45 year due to the limitations of subsection b. of this section may be
46 carried over, if necessary, to the seven ¹[accounting] tax¹ years
47 following a credit's tax year. Provided however, that a taxpayer
48 may not carry over any amount of credit or credits allowed under
49 subsection a. of this section to a tax year during which a
50 corporate acquisition with respect to which the taxpayer was a
51 target corporation occurred or during which the taxpayer was a
52 party to a merger or a consolidation, or to any subsequent tax
53 year, if the credit was allowed for a tax year prior to the year of
54 acquisition, merger or consolidation; provided further, however,

1 that if in the case of a corporate merger or corporate
2 consolidation the taxpayer can demonstrate, through the
3 submission of a copy of the plan of merger or consolidation and
4 such other evidence as may be required by the director, the
5 identity of the constituent corporation which was the acquiring
6 person, a credit allowed to the acquiring person may be carried
7 over by the taxpayer. "Acquiring person" means the constituent
8 corporation the stockholders of which own the largest proportion
9 of the total voting power in the surviving or consolidated
10 corporation after the merger or consolidation.

11 d. (1) With respect to equipment that is three-year property,
12 as described in subsection (e) of section 168 of the federal
13 Internal Revenue Code of 1986, 26 U.S.C. §168, which is disposed
14 of or ceases to be qualified equipment prior to the end of the 36
15 month period following being placed in service in this State, the
16 amount of credit allowed shall be that portion of the credit
17 provided for in subsection a. of this section which represents the
18 ratio which the months of qualified use bear to 36, and the
19 difference between the credit taken and the credit allowed for
20 actual use shall be forfeited. Additionally, except when the
21 property is damaged or destroyed by fire, flood, storm or other
22 casualty, or is stolen, the taxpayer shall redetermine the amount
23 of credit allowed for the tax year of the credit by reducing the
24 investment credit base by the cost of the amount of the disposed
25 or disqualified equipment. If the redetermination of the credit
26 results in an increase in final liability for any tax year in which
27 the credit was applied, then, notwithstanding the four year
28 limitation of subsection b. of R.S.54:49-6 to the contrary, the
29 amount of unpaid liability, if any, shall be considered a deficiency
30 for the purposes of the State Tax Uniform Procedure Law,
31 R.S.54:48-1 et seq. The amount of credit allowed for actual use
32 shall be determined by multiplying the original credit by the ratio
33 which the months of qualified use bear to 36.

34 (2) With respect to property other than that described in
35 subparagraph (1) of this subsection which is disposed of or ceases
36 to be qualified equipment prior to the end of the 60 month period
37 following being placed in service in this State, the amount of
38 credit allowed shall be that portion of the credit provided for in
39 subsection a. of this section which represents the ratio which the
40 months of qualified use bear to 60, and the difference between
41 the credit taken and the credit allowed for actual use shall be
42 forfeited. Additionally, except when the property is damaged or
43 destroyed by fire, flood, storm or other casualty, or is stolen, the
44 taxpayer shall redetermine the amount of credit allowed for the
45 tax year of the credit by reducing the investment credit base by
46 the cost of the amount of the disposed or disqualified equipment.
47 If the redetermination of the credit results in an increase in final
48 liability for any tax year in which the credit was applied, then,
49 notwithstanding the four year limitation of subsection b. of
50 R.S.54:49-6 to the contrary, the amount of unpaid liability, if
51 any, shall be considered a deficiency for the purposes of the State
52 Tax Uniform Procedure Law, R.S.54:48-1 et seq. The amount of
53 credit allowed for actual use shall be determined by multiplying
54 the original credit by the ratio which the months of qualified use

1 bear to 60.

2 4. a. A taxpayer allowed a credit under section 3 of P.L. ,
3 c. (C.)(now pending before the Legislature as his bill), with
4 respect to the investment credit base, shall be allowed a credit
5 for the increase in employment by the taxpayer determined by
6 the number of new employees for each of the two ¹tax¹ years
7 next succeeding the tax year for which the credit under section 3
8 of P.L. , c. (C.)(now pending before the Legislature as this
9 bill), is allowed, in an amount equal to 3% of the investment
10 credit base. not to exceed a maximum allowed amount for each
11 of the two tax years of \$1,000 multiplied by the number of new
12 employees.

13 b. The tax imposed for the tax year pursuant to section 5 of
14 P.L.1945, c.162, shall first be reduced by the amount of any
15 credit allowed pursuant to section 19 of P.L.1983, c.303
16 (C.52:27H-78), then by any credit allowed pursuant to section 12
17 of P.L.1985, c.227 (C.55:19-13), then by any credit allowed
18 pursuant to section 42 of P.L.1987, c.102 (C.54:10A-5.3), and
19 then by any credit allowed pursuant to section 3 of P.L. , c.
20 (C.)(now pending before the Legislature as his bill), prior to
21 applying any credits allowable pursuant to this section. Credits
22 allowable pursuant to this section shall be applied in the order of
23 the tax year of the credit allowed pursuant to section 3 of P.L.
24 , c. (C.)(now pending before the Legislature as his bill), to
25 which the credit under this section relates and then by the order
26 of the credits' tax years. The amount of the credits applied
27 under this section and section 3 of P.L. , c. (C.) (now
28 pending before the Legislature as this bill),¹ against the tax
29 imposed pursuant to section 5 of P.L.1945, c.162, for a tax year
30 shall not exceed 50% of the tax liability otherwise due and shall
31 not reduce the tax liability to an amount less than the statutory
32 minimum provided in subsection (e) of section 5 of P.L.1945.
33 c.162.

34 c. The amount of tax year credit otherwise allowable under
35 subsection a. of this section which cannot be applied for the tax
36 year due to the limitations of subsection b. of this section may be
37 carried over, if necessary, to the seven ¹[accounting] tax¹ years
38 following a credit's tax year. Provided however, that a taxpayer
39 may not carry over any amount of credit or credits allowed under
40 subsection a. of this section to a tax year during which a
41 corporate acquisition with respect to which the taxpayer was a
42 target corporation occurred or during which the taxpayer was a
43 party to a merger or a consolidation, or to any subsequent tax
44 year, if the credit was allowed for a tax year prior to the year of
45 acquisition, merger or consolidation; provided further, however,
46 that if in the case of a corporate merger or corporate
47 consolidation the taxpayer can demonstrate, through the
48 submission of a copy of the plan of merger or consolidation and
49 such other evidence as may be required by the director, the
50 identity of the constituent corporation which was the acquiring
51 person, a credit allowed to the acquiring person may be carried
52 over by the taxpayer. "Acquiring person" means the constituent
53 corporation the stockholders of which own the largest proportion
54 of the total voting power in the surviving or consolidated

1 corporation after the merger or consolidation.

2 d. (1) With respect to equipment that is three-year property,
3 as described in subsection (e) of section 168 of the federal
4 Internal Revenue Code of 1986, 26 U.S.C. §168, which is disposed
5 of or ceases to be qualified equipment prior to the end of the 36
6 month period following being placed in service in this State, the
7 amount of credit allowed shall be that portion of the credit
8 provided for in subsection a. of this section which represents the
9 ratio which the months of qualified use bear to 36, and the
10 difference between the credit taken and the credit allowed for
11 actual use shall be forfeited. Additionally, except when the
12 property is damaged or destroyed by fire, flood, storm or other
13 casualty, or is stolen, the taxpayer shall redetermine the amount
14 of credit allowed for the tax year of the credit by reducing the
15 investment credit base by the cost of the amount of the disposed
16 or disqualified equipment. If the redetermination of the credit
17 results in an increase in final liability for any tax year in which
18 the credit was applied, then, notwithstanding the four year
19 limitation of subsection b. of R.S.54:49-6 to the contrary, the
20 amount of unpaid liability, if any, shall be considered a deficiency
21 for the purposes of the State Tax Uniform Procedure Law,
22 R.S.54:48-1 et seq. The amount of credit allowed for actual use
23 shall be determined by multiplying the original credit by the ratio
24 which the months of qualified use bear to 36.

25 (2) With respect to property other than that described in
26 subparagraph (1) of this subsection which is disposed of or ceases
27 to be qualified equipment prior to the end of the 60 month period
28 following being placed in service in this State, the amount of
29 credit allowed shall be that portion of the credit provided for in
30 subsection a. of this section which represents the ratio which the
31 months of qualified use bear to 60, and the difference between
32 the credit taken and the credit allowed for actual use shall be
33 forfeited. Additionally, except when the property is damaged or
34 destroyed by fire, flood, storm or other casualty, or is stolen, the
35 taxpayer shall redetermine the amount of credit allowed for the
36 tax year of the credit by reducing the investment credit base by
37 the cost of the amount of the disposed or disqualified equipment.
38 If the redetermination of the credit results in an increase in final
39 liability for any tax year in which the credit was applied, then,
40 notwithstanding the four year limitation of subsection b. of
41 R.S.54:49-6 to the contrary, the amount of unpaid liability, if
42 any, shall be considered a deficiency for the purposes of the State
43 Tax Uniform Procedure Law, R.S.54:48-1 et seq. The amount of
44 credit allowed for actual use shall be determined by multiplying
45 the original credit by the ratio which the months of qualified use
46 bear to 60.

47 5. a. A taxpayer that claims credit under this act shall
48 maintain sufficient records to establish the following facts for
49 each item of qualified equipment:

- 50 (1) its identity;
51 (2) its actual or reasonably determined cost;
52 (3) its useful depreciation life;
53 (4) the month and tax year in which it was placed in service;
54 (5) the amount of credit taken; and

1 (6) the date it was disposed of or otherwise ceased to be
2 qualified equipment.

3 b. A taxpayer that does not keep records required for
4 identification of qualified equipment shall be treated as having
5 disposed of, during the tax year, any qualified equipment which
6 the taxpayer cannot establish was still on hand in this State at
7 the end of that year.

8 c. If a taxpayer cannot establish when qualified equipment
9 reported for purposes of claiming this credit during a tax year
10 was placed in service, the taxpayer shall be treated as having
11 placed it in service in the most recent prior year in which similar
12 property was placed in service unless the taxpayer can establish
13 that the property placed in service in the most recent year is still
14 on hand. In that event, the taxpayer shall be treated as having
15 placed the property in service in the next most recent year.

16 d. The burden of proof shall be on a taxpayer to establish by a
17 preponderance of the evidence that the taxpayer is entitled to
18 the credit allowed pursuant to this act.

19 6. The Director of the Division of Taxation shall prepare and
20 transmit to the Governor, the Legislature, and the State Revenue
21 Forecasting Advisory Commission on or before the September 1
22 next following the ¹[first calendar year during which equipment
23 placed in service may be qualified equipment] January 1 next
24 following enactment of this section and annually on or before
25 each September 1 thereafter¹, a report concerning the revenue
26 cost and distributional impact of this act in such a manner as to
27 facilitate an evaluation of its costs in State tax revenue foregone
28 and its benefits in new job creation. To facilitate an
29 understanding of the gross amount and percentage of credits
30 claimed in relation to the size, number and income of
31 corporations and the number of new employees, the report shall
32 include statistical analyses of the number and value of credits
33 granted and anticipated to be granted, and the number of new
34 employees. To facilitate an understanding of the distinction
35 between the number of new employees resulting from the
36 availability of the credits and the number of new employees not
37 resulting from availability of the credits, the report shall include
38 statistics concerning the mean cost, in State tax revenue forgone,
39 of providing the credits resulting in employment of a single
40 full-time employee in specific industries, the relative rate of
41 increase in the number of new employees between corporations
42 using the credit and those not using the credit, and increases in
43 employment in the State and the region. The director shall
44 include in the report such further observations and
45 recommendations about the use or administration of the credit as
46 the director deems appropriate.

47 The State Revenue Forecasting Advisory Commission shall
48 prepare and transmit to the Governor and Legislature, on or
49 before the November 1 next following the ¹[first calendar year
50 during which equipment placed in service may be qualified
51 equipment] January 1 next following the enactment of this
52 section and biennially on or before each second November 1
53 thereafter¹, a report providing a cost-benefit analysis of the
54 credits provided under this act and the retention and stimulation

1 of employment in the manufacturing sector, together with its
2 recommendations as to whether the credits provided under this
3 act should ¹[be extended to equipment placed in service after the
4 second tax year following the enactment of this act or whether
5 the credits provided under this act should be made] remain¹
6 permanent.

7 ¹7. Notwithstanding the provisions of subsection (g) of
8 R.S.43:21-11 to the contrary, the Commissioner of the
9 Department of Labor shall provide the Director of the Division of
10 Taxation such copies of the quarterly reports filed by taxpayers
11 with the Department of Labor pursuant to subparagraph (A) of
12 paragraph (2) of subsection (a) of R.S.43:21-14 as the director
13 may request to verify the qualifications of the taxpayers to the
14 credits allowed under this act. The director shall not use the
15 reports provided for any purpose other than the administration of
16 the credits allowed under this act, and reports so provided shall
17 be deemed files and records of the director pursuant to
18 R.S.54:50-8.¹

19 ¹[7.] ¹8. The director shall promulgate rules and regulations
20 pursuant to "Administrative Procedure Act, P.L.1968, c.410
21 (C.52:14B-1 et seq.), as may be necessary to effectuate the
22 purpose of this act.

23 ¹[8.] ¹9. This act shall take effect immediately ¹and sections 1
24 through 7 shall apply to tax years beginning on and after the
25 January 1 next following their enactment¹.

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30 Manufacturing Equipment and Employment Investment Tax
31 Credit Act.

STATEMENT

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This bill provides a tax credit to businesses that make investments in this State's manufacturing sector, and provides an additional credit if the taxpayer increases employment in this State. The bill allows a credit against the corporation business tax equal to two percent of a corporation's investment in machinery, apparatus or equipment having a federal depreciation useful life of 4 years or more, placed in service in this State, and used or consumed directly and primarily in the production of tangible personal property. The credit may not exceed \$1,000,000 per taxpayer annually. The credit is a temporary credit, which is available for qualified equipment placed in service in the two tax years following the enactment of the bill.

An additional credit is allowed in the two years following a taxpayer's investment in qualified equipment. In each of those two years the additional credit may be up to 3 percent of the manufacturing equipment investment amount, not to exceed \$1,000 per additional job created in New Jersey. An additional job created in New Jersey means the increase in full-time (140 hours or more per month) and full-time equivalent (the sum of part-time nonseasonal employees working at least 20 hours per week) employment provided to New Jersey residents measured against the number of the taxpayer's full-time and full-time equivalent New Jersey resident employees in the tax year preceding the tax year in which the credit for manufacturing investment was allowed.

The annual credit amounts cannot reduce the annual corporation business liability below 50% of the amount otherwise due for the tax year or below the statutory minimum tax, and credit amounts that are not usable in a tax year may be carried forward for up to seven tax years.

A Department of Treasury summary report will assure that the Legislature is made aware of the total dollar value of the credits granted and provide a warning of any problems with the implementation of the credit. The Department of Treasury report will serve as the basis of an analysis by the State Revenue Forecasting Advisory Commission of whether the temporary credit should be extended or made permanent.

Manufacturing Equipment and Employment Investment Tax Credit Act.

JOINT LEGISLATIVE COMMITTEE
ON ECONOMIC RECOVERY

STATEMENT TO

SENATE, No. 1820

with Senate committee amendments

STATE OF NEW JERSEY

DATED: JUNE 2, 1993

The Joint Legislative Committee on Economic Recovery reports favorably Senate Bill No. 1820 with committee amendments.

As amended, Senate Bill No. 1820 provides a tax credit to businesses that make investments in this State's manufacturing sector, and provides an additional credit if the taxpayer increases employment in this State. The bill allows a credit against the corporation business tax equal to two percent of a corporation's investment in machinery, apparatus or equipment having a federal depreciation useful life of 4 years or more, placed in service in this State, and used or consumed directly and primarily in the production of tangible personal property. The credit may not exceed \$1,000,000 per taxpayer annually. The credit is available for qualified equipment placed in service in fiscal or calendar accounting years beginning on and after January 1 following the enactment of the bill into law.

An additional credit is allowed in each of the two years following a taxpayer's investment in qualified equipment. In each of those two years the additional credit may be up to 3 percent of the manufacturing equipment investment amount, not to exceed \$1,000 per additional job created in New Jersey. An additional job created in New Jersey means the increase in full-time (140 hours or more per month) and full-time equivalent (the sum of part-time nonseasonal employees working at least 20 hours per week) employment provided to New Jersey residents measured against the number of the taxpayer's full-time and full-time equivalent New Jersey resident employees in the tax year preceding the tax year in which the credit for manufacturing investment was allowed.

The annual credit amounts cannot reduce the annual corporation business liability below 50% of the amount otherwise due for the tax year or below the statutory minimum tax, and credit amounts that are not usable in a tax year may be carried forward for up to seven tax years.

An annual Department of Treasury summary report will assure that the Legislature is made aware of the total dollar value of the credits granted and provide a warning of any problems with the implementation of the credit. The Department of Treasury report will serve as the basis of an analysis by the State Revenue Forecasting Advisory Commission of whether the credit should remain a permanent credit.

FISCAL IMPACT:

The Division of Taxation, Department of the Treasury, has estimated that approximately \$20 million of investment credits will be granted in the first year of the bill's implementation, which will have primary impact on the fiscal year following the fiscal year of implementation. That estimate is based on assumptions about the utilization of the credit and the level of business investment in the State that may be affected in future years by changes in the business environment and the availability of the credit. In years following the first year in which investment credits are granted further credits are granted with revenue impact that, because the credits depend on the creation of additional jobs in New Jersey, cannot be determined at this time.

COMMITTEE AMENDMENTS:

The amendments make the credits a permanent feature of the corporation business tax, clarify limitations on the application of the credits, and make technical changes in legal references. With these amendments, this bill is identical to A-2675 as released and amended by the committee on this date.