

54:10A-4

LEGISLATIVE HISTORY CHECKLIST
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(Corporation business tax--
adopt Federal depreciation schedule)

NJSA: 54:10A-4

LAWS OF: 1993 **CHAPTER:** 172

BILL NO: S1821

SPONSOR(S) Bennett

DATE INTRODUCED: May 13, 1993

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

SENATE: ---

AMENDED DURING PASSAGE: No

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~~ YES

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: No

See Legislative history of L.1993, c170

KBG:pp

1 AN ACT concerning depreciation deductions under the
2 corporation business tax, amending P.L.1945, c.162.

3
4 BE IT ENACTED by the Senate and General Assembly of the
5 State of New Jersey:

6 1. Section 4 of P.L.1945, c.162 (C.54:10A-4) is amended to
7 read as follows:

8 4. For the purposes of this act, unless the context requires a
9 different meaning:

10 (a) "Commissioner" shall mean the Director of the Division of
11 Taxation of the State Department of the Treasury.

12 (b) "Allocation factor" shall mean the proportionate part of a
13 taxpayer's net worth or entire net income used to determine a
14 measure of its tax under this act.

15 (c) "Corporation" shall mean any corporation, joint-stock
16 company or association and any business conducted by a trustee
17 or trustees wherein interest or ownership is evidenced by a
18 certificate of interest or ownership or similar written instrument.

19 (d) "Net worth" shall mean the aggregate of the values
20 disclosed by the books of the corporation for (1) issued and
21 outstanding capital stock, (2) paid-in or capital surplus, (3) earned
22 surplus and undivided profits, and (4) surplus reserves which can
23 reasonably be expected to accrue to holders or owners of
24 equitable shares, not including reasonable valuation reserves,
25 such as reserves for depreciation or obsolescence or depletion.
26 Notwithstanding the foregoing, net worth shall not include any
27 deduction for the amount of the excess depreciation described in
28 paragraph (2)(F) of subsection (k) of this section. The foregoing
29 aggregate of values shall be reduced by 50% of the amount
30 disclosed by the books of the corporation for investment in the
31 capital stock of one or more subsidiaries, which investment is
32 defined as ownership (1) of at least 80% of the total combined
33 voting power of all classes of stock of the subsidiary entitled to
34 vote and (2) of at least 80% of the total number of shares of all
35 other classes of stock except nonvoting stock which is limited and
36 preferred as to dividends. In the case of investment in an entity
37 organized under the laws of a foreign country, the foregoing
38 requisite degree of ownership shall effect a like reduction of such
39 investment from net worth of the taxpayer, if the foreign entity
40 is considered a corporation for any purpose under the United
41 States federal income tax laws, such as (but not by way of sole
42 examples) for the purpose of supplying deemed paid foreign tax

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.

1 credits or for the purpose of status as a controlled foreign
2 corporation. In calculating the net worth of a taxpayer entitled
3 to reduction for investment in subsidiaries, the amount of
4 liabilities of the taxpayer shall be reduced by such proportion of
5 the liabilities as corresponds to the ratio which the excluded
6 portion of the subsidiary values bears to the total assets of the
7 taxpayer.

8 In the case of banking corporations which have international
9 banking facilities as defined in subsection (n), the foregoing
10 aggregate of values shall also be reduced by retained earnings of
11 the international banking facility. Retained earnings means the
12 earnings accumulated over the life of such facility and shall not
13 include the pro rata share of dividends paid and federal income
14 taxes paid or payable during the tax year.

15 If in the opinion of the commissioner, the corporation's books
16 do not disclose fair valuations the commissioner may make a
17 reasonable determination of the net worth which, in his opinion,
18 would reflect the fair value of the assets, exclusive of subsidiary
19 investments as defined aforesaid, carried on the books of the
20 corporation, in accordance with sound accounting principles, and
21 such determination shall be used as net worth for the purpose of
22 this act.

23 (e) "Indebtedness owing directly or indirectly" shall include,
24 without limitation thereto, all indebtedness owing to any
25 stockholder or shareholder and to members of his immediate
26 family where a stockholder and members of his immediate family
27 together or in the aggregate own 10% or more of the aggregate
28 outstanding shares of the taxpayer's capital stock of all classes.

29 (f) "Investment company" shall mean any corporation whose
30 business during the period covered by its report consisted, to the
31 extent of at least 90% thereof of holding, investing and
32 reinvesting in stocks, bonds, notes, mortgages, debentures,
33 patents, patent rights and other securities for its own account,
34 but this shall not include any corporation which: (1) is a merchant
35 or a dealer of stocks, bonds and other securities, regularly
36 engaged in buying the same and selling the same to customers; or
37 (2) had less than 90% of its average gross assets in New Jersey, at
38 cost, invested in stocks, bonds, debentures, mortgages, notes,
39 patents, patent rights or other securities or consisting of cash on
40 deposit during the period covered by its report; or (3) is a banking
41 corporation or a financial business corporation as defined in the
42 Corporation Business Tax Act.

43 (g) "Regulated investment company" shall mean any
44 corporation which for a period covered by its report, is registered
45 and regulated under the Investment Company Act of 1940
46 (54 Stat. 789), as amended.

47 (h) "Taxpayer" shall mean any corporation required to report
48 or to pay taxes, interest or penalties under this act.

49 (i) "Fiscal year" shall mean an accounting period ending on any
50 day other than the last day of December on the basis of which the
51 taxpayer is required to report for federal income tax purposes.

52 (j) Except as herein provided, "privilege period" shall mean the
53 calendar or fiscal accounting period for which a tax is payable
54 under this act.

1 (k) "Entire net income" shall mean total net income from all
2 sources, whether within or without the United States, and shall
3 include the gain derived from the employment of capital or labor,
4 or from both combined, as well as profit gained through a sale or
5 conversion of capital assets. For the purpose of this act, the
6 amount of a taxpayer's entire net income shall be deemed prima
7 facie to be equal in amount to the taxable income, before net
8 operating loss deduction and special deductions, which the
9 taxpayer is required to report to the United States Treasury
10 Department for the purpose of computing its federal income tax;
11 provided, however, that in the determination of such entire net
12 income,

13 (1) Entire net income shall exclude for the periods set forth in
14 paragraph (2)(F)(i) of this subsection, any amount, except with
15 respect to qualified mass commuting vehicles as described in
16 section 168(f)(8)(D)(v) of the Internal Revenue Code as in effect
17 immediately prior to January 1, 1984, which is included in a
18 taxpayer's federal taxable income solely as a result of an
19 election made pursuant to the provisions of paragraph (8) of that
20 section.

21 (2) Entire net income shall be determined without the
22 exclusion, deduction or credit of:

23 (A) The amount of any specific exemption or credit allowed in
24 any law of the United States imposing any tax on or measured by
25 the income of corporations;

26 (B) Any part of any income from dividends or interest on any
27 kind of stock, securities or indebtedness, except as provided in
28 paragraph (5) of subsection (k) of this section;

29 (C) Taxes paid or accrued to the United States on or measured
30 by profits or income, or the tax imposed by this act, or any tax
31 paid or accrued with respect to subsidiary dividends excluded
32 from entire net income as provided in paragraph (5) of subsection
33 (k) of this section;

34 (D) (Deleted by amendment, P.L.1985, c.143.)

35 (E) 90% of interest on indebtedness owing directly or
36 indirectly to holders of 10% or more of the aggregate outstanding
37 shares of the taxpayer's capital stock of all classes; except that
38 such interest may, in any event, be deducted:

39 (i) Up to an amount not exceeding \$1,000.00;

40 (ii) In full to the extent that it relates to bonds or other
41 evidences of indebtedness issued, with stock, pursuant to a bona
42 fide plan of reorganization, to persons, who, prior to such
43 reorganization, were bona fide creditors of the corporation or its
44 predecessors, but were not stockholders or shareholders thereof;

45 (iii) In full to the extent that it relates to debt of a financial
46 business corporation owed to an affiliate corporation; provided
47 that such interest rate does not exceed 2% over prime rate; the
48 prime rate to be determined by the Commissioner of Banking;

49 (iv) In full to the extent that it relates to financing of motor
50 vehicle inventory held for sale to customers; provided said
51 indebtedness is owed to a taxpayer customarily and routinely
52 providing this type of financing;

53 (v) In full to the extent it relates to debt of a banking
54 corporation to a bank holding company, of which the banking

1 corporation is a subsidiary, or to a debt of a banking corporation
2 to another banking corporation with respect to federal funds
3 transactions governed by section 23A of the Federal Reserve Act
4 (12 U.S.C. § 371c.) when both banking corporations are
5 subsidiaries of the same bank holding company, as defined in 12
6 U.S.C. § 1841.

7 (F) (i) The amount by which depreciation reported to the
8 United States Treasury Department for property placed in service
9 on and after January 1, 1981, but prior to taxpayer fiscal or
10 calendar accounting years beginning on and after the effective
11 date of P.L. , c. (Now pending before the legislature as this
12 bill), for purposes of computing federal taxable income in
13 accordance with section 168 of the Internal Revenue Code in
14 effect after December 31, 1980, exceeds the amount of
15 depreciation determined in accordance with the Internal Revenue
16 Code provisions in effect prior to January 1, 1981, but only with
17 respect to a taxpayer's accounting period ending after
18 December 31, 1981; provided, however, that where a taxpayer's
19 accounting period begins in 1981 and ends in 1982, no
20 modification shall be required with respect to this paragraph (F)
21 for the report filed for such period with respect to property
22 placed in service during that part of the accounting period which
23 occurs in 1981.

24 (ii) For the periods set forth in subparagraph (F)(i) of this
25 subsection, any amount, except with respect to qualified mass
26 commuting vehicles as described in section 168(f)(8)(D)(v) of the
27 Internal Revenue Code as in effect immediately prior to
28 January 1, 1984, which the taxpayer claimed as a deduction in
29 computing federal income tax pursuant to a qualified lease
30 agreement under paragraph (8) of that section.

31 The director shall promulgate rules and regulations necessary
32 to carry out the provisions of this section, which rules shall
33 provide, among others, the manner in which the remaining life of
34 property shall be reported.

35 (G) (1) The amount of any civil, civil administrative, or
36 criminal penalty or fine, including a penalty or fine under an
37 administrative consent order, assessed and collected for a
38 violation of a State or federal environmental law, an
39 administrative consent order, or an environmental ordinance or
40 resolution of a local governmental entity, and any interest earned
41 on the penalty or fine, and any economic benefits having accrued
42 to the violator as a result of a violation, which benefits are
43 assessed and recovered in a civil, civil administrative, or criminal
44 action, or pursuant to an administrative consent order. The
45 provisions of this paragraph shall not apply to a penalty or fine
46 assessed or collected for a violation of a State or federal
47 environmental law, or local environmental ordinance or
48 resolution, if the penalty or fine was for a violation that resulted
49 from fire, riot, sabotage, flood, storm event, natural cause, or
50 other act of God beyond the reasonable control of the violator, or
51 caused by an act or omission of a person who was outside the
52 reasonable control of the violator.

53 (2) The amount of treble damages paid to the Department of
54 Environmental Protection pursuant to subsection a. of section 7

1 of P.L.1976, c.141 (C.58:10-23.11f) for costs incurred by the
2 department in removing, or arranging for the removal of, an
3 unauthorized discharge upon failure of the discharger to comply
4 with a directive from the department to remove, or arrange for
5 the removal of, the discharge.

6 (3) The commissioner may, whenever necessary to properly
7 reflect the entire net income of any taxpayer, determine the year
8 or period in which any item of income or deduction shall be
9 included, without being limited to the method of accounting
10 employed by the taxpayer.

11 (4) There shall be allowed as a deduction from entire net
12 income of a banking corporation, to the extent not deductible in
13 determining federal taxable income, the eligible net income of an
14 international banking facility determined as follows:

15 (A) The eligible net income of an international banking facility
16 shall be the amount remaining after subtracting from the eligible
17 gross income the applicable expenses;

18 (B) Eligible gross income shall be the gross income derived by
19 an international banking facility, which shall include, but not be
20 limited to, gross income derived from:

21 (i) Making, arranging for, placing or carrying loans to foreign
22 persons, provided, however, that in the case of a foreign person
23 which is an individual, or which is a foreign branch of a domestic
24 corporation (other than a bank), or which is a foreign corporation
25 or foreign partnership which is controlled by one or more
26 domestic corporations (other than banks), domestic partnerships
27 or resident individuals, all the proceeds of the loan are for use
28 outside of the United States;

29 (ii) Making or placing deposits with foreign persons which are
30 banks or foreign branches of banks (including foreign subsidiaries)
31 or foreign branches of the taxpayers or with other international
32 banking facilities; or

33 (iii) Entering into foreign exchange trading or hedging
34 transactions related to any of the transactions described in this
35 paragraph;

36 (iv) Such other activities as an international banking facility
37 may, from time to time, be authorized to engage in;

38 (C) Applicable expenses shall be any expense or other
39 deductions attributable, directly or indirectly, to the eligible
40 gross income described in subparagraph (B) of this paragraph.

41 (5) Entire net income shall exclude 100% of dividends which
42 were included in computing such taxable income for federal
43 income tax purposes, paid to the taxpayer by one or more
44 subsidiaries owned by the taxpayer to the extent of the 80% or
45 more ownership of investment described in subsection (d) of this
46 section. With respect to other dividends, entire net income shall
47 not include 50% of the total included in computing such taxable
48 income for federal income tax purposes.

49 (6) (A) Net operating loss deduction. There shall be allowed as
50 a deduction for the taxable year the net operating loss carryover
51 to that year.

52 (B) Net operating loss carryover. A net operating loss for any
53 taxable year ending after June 30, 1984 shall be a net operating
54 loss carryover to each of the seven years following the year of

1 the loss. The entire amount of the net operating loss for any
2 taxable year (the "loss year") shall be carried to the earliest of
3 the taxable years to which the loss may be carried. The portion
4 of the loss which shall be carried to each of the other taxable
5 years shall be the excess, if any, of the amount of the loss over
6 the sum of the entire net income, computed without the
7 exclusions permitted in paragraphs (4) and (5) of this subsection
8 or the net operating loss deduction provided by subparagraph (A)
9 of this paragraph, for each of the prior taxable years to which the
10 loss may be carried.

11 (C) Net operating loss. For purposes of this paragraph the term
12 "net operating loss" means the excess of the deductions over the
13 gross income used in computing entire net income without the net
14 operating loss deduction provided for in subparagraph (A) of this
15 paragraph and the exclusions in paragraphs (4) and (5) of this
16 subsection.

17 (D) Change in ownership. Where there is a change in 50% or
18 more of the ownership of a corporation because of redemption or
19 sale of stock and the corporation changes the trade or business
20 giving rise to the loss, no net operating loss sustained before the
21 changes may be carried over to be deducted from income earned
22 after such changes. In addition where the facts support the
23 premise that the corporation was acquired under any
24 circumstances for the primary purpose of the use of its net
25 operating loss carryover, the director may disallow the carryover.

26 (l) "Real estate investment trust" shall mean any corporation,
27 trust or association qualifying and electing to be taxed as a real
28 estate investment trust under federal law.

29 (m) "Financial business corporation" shall mean any corporate
30 enterprise which is (1) in substantial competition with the
31 business of national banks and which (2) employs moneyed capital
32 with the object of making profit by its use as money, through
33 discounting and negotiating promissory notes, drafts, bills of
34 exchange and other evidences of debt; buying and selling
35 exchange; making of or dealing in secured or unsecured loans and
36 discounts; dealing in securities and shares of corporate stock by
37 purchasing and selling such securities and stock without recourse,
38 solely upon the order and for the account of customers; or
39 investing and reinvesting in marketable obligations evidencing
40 indebtedness of any person, copartnership, association or
41 corporation in the form of bonds, notes or debentures commonly
42 known as investment securities; or dealing in or underwriting
43 obligations of the United States, any state or any political
44 subdivision thereof, or of a corporate instrumentality of any of
45 them. This shall include, without limitation of the foregoing,
46 business commonly known as industrial banks, dealers in
47 commercial paper and acceptances, sales finance, personal
48 finance, small loan and mortgage financing businesses, as well as
49 any other enterprise employing moneyed capital coming into
50 competition with the business of national banks; provided that the
51 holding of bonds, notes, or other evidences of indebtedness by
52 individual persons not employed or engaged in the banking or
53 investment business and representing merely personal
54 investments not made in competition with the business of

1 national banks, shall not be deemed financial business. Nor shall
2 "financial business" include national banks, production credit
3 associations organized under the Farm Credit Act of 1933 or the
4 Farm Credit Act of 1971, Pub.L.92-181 (12 U.S.C. §2091 et seq.),
5 stock and mutual insurance companies duly authorized to transact
6 business in this State, security brokers or dealers or investment
7 companies or bankers not employing moneyed capital coming into
8 competition with the business of national banks, real estate
9 investment trusts, or any of the following entities organized
10 under the laws of this State: credit unions, savings banks, savings
11 and loan and building and loan associations, pawnbrokers, and
12 State banks and trust companies.

13 (n) "International banking facility" shall mean a set of asset
14 and liability accounts segregated on the books and records of a
15 depository institution, United States branch or agency of a
16 foreign bank, or an Edge or Agreement Corporation that includes
17 only international banking facility time deposits and international
18 banking facility extensions of credit as such terms are defined in
19 section 204.8(a)(2) and section 204.8(a)(3) of Regulation D of the
20 board of governors of the Federal Reserve System, 12 CFR Part
21 204, effective December 3, 1981. In the event that the United
22 States enacts a law, or the board of governors of the Federal
23 Reserve System adopts a regulation which amends the present
24 definition of international banking facility or of such facilities'
25 time deposits or extensions of credit, the Commissioner of
26 Banking shall forthwith adopt regulations defining such terms in
27 the same manner as such terms are set forth in the laws of the
28 United States or the regulations of the board of governors of the
29 Federal Reserve System. The regulations of the Commissioner of
30 Banking shall thereafter provide the applicable definitions.

31 (cf: P.L.1990, c.79, s.2)

32 2. This act shall take effect immediately.

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STATEMENT

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This bill permits corporations to use the federal modified accelerated cost recovery system for depreciation of property under the New Jersey corporation business tax, recoupling the rates of depreciation used under the corporation business tax to the rates used under the federal corporate income tax. The provisions of this bill apply to property placed into service in taxpayer fiscal or calendar accounting years that begin on or after the effective date of this act.

Permits corporations to use federal modified accelerated depreciation for certain property under the corporation business tax.

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2 "financial business" include national banks, production credit
3 associations organized under the Farm Credit Act of 1933 or the
4 Farm Credit Act of 1971, Pub.L.92-181 (12 U.S.C. §2091 et seq.),
5 stock and mutual insurance companies duly authorized to transact
6 business in this State, security brokers or dealers or investment
7 companies or bankers not employing moneyed capital coming into
8 competition with the business of national banks, real estate
9 investment trusts, or any of the following entities organized
10 under the laws of this State: credit unions, savings banks, savings
11 and loan and building and loan associations, pawnbrokers, and
12 State banks and trust companies.

13 (n) "International banking facility" shall mean a set of asset
14 and liability accounts segregated on the books and records of a
15 depository institution, United States branch or agency of a
16 foreign bank, or an Edge or Agreement Corporation that includes
17 only international banking facility time deposits and international
18 banking facility extensions of credit as such terms are defined in
19 section 204.8(a)(2) and section 204.8(a)(3) of Regulation D of the
20 board of governors of the Federal Reserve System, 12 CFR Part
21 204, effective December 3, 1981. In the event that the United
22 States enacts a law, or the board of governors of the Federal
23 Reserve System adopts a regulation which amends the present
24 definition of international banking facility or of such facilities'
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26 Banking shall forthwith adopt regulations defining such terms in
27 the same manner as such terms are set forth in the laws of the
28 United States or the regulations of the board of governors of the
29 Federal Reserve System. The regulations of the Commissioner of
30 Banking shall thereafter provide the applicable definitions.

31 (cf: P.L.1990, c.79, s.2)

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STATEMENT

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38 accelerated cost recovery system for depreciation of property
39 under the New Jersey corporation business tax, recoupling the
40 rates of depreciation used under the corporation business tax to
41 the rates used under the federal corporate income tax. The
42 provisions of this bill apply to property placed into service in
43 taxpayer fiscal or calendar accounting years that begin on or
44 after the effective date of this act.

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49 _____
50 Permits corporations to use federal modified accelerated
51 depreciation for certain property under the corporation business
tax.

JOINT LEGISLATIVE COMMITTEE
ON ECONOMIC RECOVERY

STATEMENT TO

SENATE, No. 1821

STATE OF NEW JERSEY

DATED: JUNE 2, 1993

The Joint Legislative Committee on Economic Recovery reports favorably Senate Bill No. 1821.

This bill permits corporations to use the federal modified accelerated cost recovery system for depreciation of property under the New Jersey corporation business tax, recoupling the rates of depreciation used under the corporation business tax to the rates used under the federal corporate income tax. The provisions of this bill apply to property placed into service in taxpayer fiscal or calendar accounting years that begin on or after the effective date of this act.

FISCAL IMPACT:

The Office of Legislative Services estimates that this legislation will have no fiscal impact in FY 1994, while for FY 1995, a \$1 million reduction in revenue is projected, based on the estimated purchase of depreciable assets in the first year. The estimated revenue loss will increase to \$17 million in FY 1996 and to \$35 million in FY 1997. These costs will eventually level off as all of the depreciable property in use comes under these new depreciation schedules.



S1784/A2475
S1820/A2675
✓S1821/A2680
A 273/S1870/S19
A1015/S219 A623/S1961

OFFICE OF THE GOVERNOR NEWS RELEASE

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TRENTON, N.J. 08625
Release: July 7, 1993

GOVERNOR SIGNS BUSINESS INCENTIVE PACKAGE TO CREATE JOBS AND ECONOMIC DEVELOPMENT

NEW BRUNSWICK -- Giving businesses new tools to build a solid economy, Governor Jim Florio today signed a six-bill package giving companies incentives to create jobs and stimulate economic growth and development in New Jersey.

"These bills will encourage businesses large and small to grow, take root and flourish. They're a tax credit strategy that provides business with incentives to make long-term commitments and to hire new workers. That means good jobs for our people -- the kind you can build a future on," said Governor Florio, who signed the legislative package at Bristol-Myers Squibb, which recently announced plans to invest \$52 million in capital improvements to allow the company to concentrate its pharmaceutical development processes at its New Brunswick site.

"It's very important for government to serve as a stimulus to business, not a roadblock. It's the private sector where job growth has to happen, especially the small businesses," he said. "We're working every day to put people back to work and to build the kind of economic growth that will last. We will leave no stone unturned in our effort to provide jobs for everyone who wants to work."

The business incentive package

- **Establishes a Business Tax Credit** for creating new jobs in New Jersey.
- **Creates a Manufacturing Equipment and Employment Investment Tax Credit** to offset the purchase of manufacturing equipment and provide additional credits for creating new jobs.
- **Enables corporations to use the federal depreciation schedule** on new equipment purchases which will end confusion and duplication of work when tax forms are prepared, while it encourages manufacturing growth.
- **Ends the double taxation on small businesses** by reducing the state corporate business tax imposed on Subchapter S corporations.
- **Repeals the Business Personal Property Tax** on pre-1977 property which is outdated, mired in red tape and generates little revenue.
- **Provides a Corporate Tax Credit** for research and development to help New Jersey keep its competitive edge.

"These bills send a clear message to the business community. We will offer real incentives to help you create jobs and we'll get out of the way and let you do business. No red tape. No disincentives. No penalties for growth," said Governor Florio.

Governor Florio praised the bi-partisan effort to shepherd the package through the Legislature and said the measures would provide businesses with the kind of stability and predictability necessary for a health business climate.

The bill-signing follows recent reports that the state's jobless rate decreased below the national average for the first time since last fall. Last year, for the third straight year, the number of companies relocating to New Jersey or expanding here increased: 109 companies moved here from 19 states and nine foreign companies, bringing with them 11,000 jobs, Governor Florio noted.

"New Jersey's future is no dream. We're building it right here in New Jersey. It's not easy and it doesn't happen overnight," said Governor Florio. "You can only do it one day at a time and one job at a time, and that's what we're doing."

BUSINESS INCENTIVE PACKAGE FACT SHEET

- ***Creates a Business Tax Credit for creating new jobs in New Jersey.***

The new law provides a corporate business tax credit to businesses that create jobs in the state. The credit percentage depends on the type of investment and the number of jobs created, and can be as high as 10 percent of the investment costs. The credit would be available to most sectors including manufacturing, wholesale distribution, warehousing, retailing and service-related businesses. The size of the business will determine how many new jobs must be created in order to qualify: 50 for a large business and 5 jobs for a small business. The credit would be calculated by multiply the costs of new machinery/equipment by a "jobs creation" factor.

S 1784//A 2475 was sponsored by Senator Donald DiFrancesco and Assemblypersons Steve Corodemus and Harriet Derman.

- ***Creates a Manufacturing Equipment and Employment Investment Tax Credit to offset the purchase of manufacturing equipment and provide additional credits for creating new jobs.***

The new law allows a corporate business tax credit of 2 percent on the purchase price on new machinery or equipment during the first year of operation. For each of the next two years, a company could qualify for an additional credit of 3 percent by creating new jobs, capped at \$1,000 per additional employee.

S 1820/A 2675 was sponsored by Senator Jack Sinagra, and Assemblypersons Jeff Warsh and Virginia Gaines.

- ***Enables corporations to use the federal depreciation schedule on new equipment purchases to depreciate the value of property under the state corporate business tax.***

Under the previous law, the state provides a depreciation schedule which is different from the federal schedule. This difference creates needless confusion and duplication of work when tax forms are prepared. The new law brings the federal and state schedules into line and applies to equipment purchased after the bill signing.

S 1821/A 2680 was sponsored by Senator John Bennett and Assemblypersons Richard Bagger and C. Richard Kamin.

- ***End the double taxation on small businesses by reducing the state corporate business tax imposed on Subchapter S corporations.***

Federal law allows certain small, closely held businesses to organize as corporations, but to be treated for tax purposes as sole proprietorships or partnerships in order to allow these businesses to obtain the advantages of a corporation without being subjected to the federal corporate tax, which is not imposed on closely held corporations. Under the previous state law, there are no tax benefits provided to these

Subchapter S corporations which penalizes small businesses for taking advantage of the corporate form. The new law reduces the corporate business tax for these entities from 9.37 percent to 2.375 percent -- a difference of 7 percent. Corporate officers would continue to be taxed on personal income at a maximum rate of 7 percent.

A 273/1870/S 19 was sponsored by Assemblypersons John Penn, Walter J. Kavanaugh and Harriet Derman, and Senator William Haines.

- **Repeals the Business Personal Property Tax on pre-1977 property which is outdated, entrenched in red tape and generates very little revenue.**

This law repeals the Business Personal Property Tax, which has been rendered essentially obsolete within the past several years, was enacted in 1966 to give the state responsibility for collecting a business tax at a new uniform rate. In 1977, the state had enacted legislation to phase out the law on new purchases resulting in a steady reduction in revenues raised from the tax, leading to its ultimate repeal.

A 1015/A 219 was sponsored by Senators Frank Catania and Gerald Zecker, and Assemblyman Robert E. Littell.

- **Provides a Corporate Tax Credit for research and development to help New Jersey keep its competitive edge.**

The new law provides a corporate business tax credit to corporations that increase research activities in New Jersey. The maximum allowable credit will be 15 percent, and it can be carried forward for up to 10 years.

A 1033/S 1964 was sponsored by Assemblypersons Joseph Doria and Garabed "Chuck" Haytaian, and Senators John Scott and Dick LaRossa.