

ASSEMBLY, No. 5557

STATE OF NEW JERSEY 220th LEGISLATURE

INTRODUCED JUNE 5, 2023

Sponsored by:

Assemblyman P. CHRISTOPHER TULLY

District 38 (Bergen and Passaic)

Assemblywoman CAROL A. MURPHY

District 7 (Burlington)

Assemblyman CHRISTOPHER P. DEPHILLIPS

District 40 (Bergen, Essex, Morris and Passaic)

SYNOPSIS

Increases amount of tax credits for investments made in certain technology business ventures under “New Jersey Angel Investor Tax Credit Act.”

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/20/2023)

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2

1 AN ACT increasing the amount of the tax credits provided for
2 investments made in emerging technology businesses under the
3 “New Jersey Angel Investor Tax Credit Act,” and amending
4 P.L.1997, c.349 and P.L.2013, c.14.

5

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

8

9 1. Section 2 of P.L.1997, c.349 (C.54:10A-5.29) is amended to
10 read as follows:

11 2. As used in sections 1 through 3 of P.L.1997, c.349
12 (C.54:10A-5.28 through C.54:10A-5.30):

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

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

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

29 "Carbon footprint reduction technology" means a technology
30 using equipment for the commercial, institutional, and industrial
31 sectors that: increases energy efficiency; develops and delivers
32 renewable or non-carbon-emitting energy technologies; develops
33 innovative carbon emissions abatement with significant carbon
34 emissions reduction potential; or promotes measurable electricity
35 end-use energy efficiency.

36 "Control" with respect to a corporation means ownership,
37 directly or indirectly, of stock possessing 80 percent or more of the
38 total combined voting power of all classes of the stock of the
39 corporation entitled to vote; and "control" with respect to a trust
40 means ownership, directly or indirectly, of 80 percent or more of
41 the beneficial interest in the principal or income of the trust. The
42 ownership of stock in a corporation, of a capital or profits interest in
43 a partnership or association or of a beneficial interest in a trust shall
44 be determined in accordance with the rules for constructive
45 ownership of stock provided in subsection (c) of section 267 of 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.

1 federal Internal Revenue Code of 1986 (26 U.S.C. § 267), other
2 than paragraph (3) of subsection (c) of that section.

3 "Controlled group" means one or more chains of corporations
4 connected through stock ownership with a common parent
5 corporation if stock possessing at least 80 percent of the voting
6 power of all classes of stock of each of the corporations is owned
7 directly or indirectly by one or more of the corporations and the
8 common parent owns directly stock possessing at least 80 percent of
9 the voting power of all classes of stock of at least one of the other
10 corporations.

11 "Director" means the Director of the Division of Taxation in the
12 Department of the Treasury.

13 "Diverse entrepreneur" means a New Jersey based business that
14 meets the criteria for a minority business or female business set
15 forth in section 3 of P.L.1983, c.482 (C.52:32-19).

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

21 "Information technology" means software publishing, motion
22 picture and video production, television production and post-
23 production services, telecommunications, data processing, hosting
24 and related services, custom computer programming services,
25 computer system design, computer facilities management services,
26 other computer related services, and computer training.

27 "Life sciences" means the production of medical equipment,
28 ophthalmic goods, medical or dental instruments, diagnostic
29 substances, biopharmaceutical products, or physical and biological
30 research.

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

35 "Mobile communications technology" means a technology
36 involving the functionality and reliability of the transmission of
37 voice and multimedia data using a communication infrastructure via
38 a computer or a mobile device, that shall include, but not be limited
39 to, smartphones, electronic books and tablets, digital audio players,
40 motor vehicle electronics, home entertainment systems, and other
41 wireless appliances, without having connected to any physical or
42 fixed link.

43 "New Jersey based business" means a company with fewer than
44 **[225]** 150 employees, of whom at least 75 percent are filling a
45 position in New Jersey, that is doing business, employing or owning
46 capital or property, or maintaining an office in this State.

47 "New Jersey emerging technology business" means a company
48 with fewer than **[225]** 150 employees, of whom at least 75 percent

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1 are filling a position in New Jersey, that is doing business,
2 employing or owning capital or property, or maintaining an office
3 in this State and: has qualified research expenses paid or incurred
4 for research conducted in this State; conducts pilot scale
5 manufacturing in this State; or conducts technology
6 commercialization in this State in the fields of advanced computing,
7 advanced materials, biotechnology, carbon footprint reduction
8 technology, electronic device technology, information technology,
9 life sciences, medical device technology, mobile communications
10 technology, or renewable energy technology.

11 "New Jersey emerging technology business holding company"
12 means any corporation, association, firm, partnership, trust, or other
13 form of business organization, but not a natural person, which
14 directly or indirectly, owns, has the power or right to control, or has
15 the power to vote, a controlling share of the outstanding voting
16 securities of a corporation or other form of a New Jersey emerging
17 technology business.

18 "Partnership" means a syndicate, group, pool, joint venture, or
19 other unincorporated organization through or by means of which
20 any business, financial operation, or venture is carried on, and
21 which is not a trust or estate, a corporation, or a sole proprietorship.

22 "Pilot scale manufacturing" means the design, construction, and
23 testing of preproduction prototypes and models in the fields of
24 advanced computing, advanced materials, biotechnology, carbon
25 footprint reduction technology electronic device technology,
26 information technology, life sciences, medical device technology,
27 mobile communications technology, and renewable energy
28 technology, other than for commercial sale, excluding sales of
29 prototypes or sales for market testing if the total gross receipts, as
30 calculated in the manner provided in section 6 of P.L.1945, c.162
31 (C.54:10A-6), from the sales of the product, service, or process do
32 not exceed \$1,000,000.

33 "Qualified investment" means the non-refundable transfer of
34 cash to a New Jersey emerging technology business or to a New
35 Jersey emerging technology business holding company by a
36 taxpayer that is not a related person of the New Jersey emerging
37 technology business or the New Jersey emerging technology
38 business holding company, the transfer of which is in connection
39 with either: a transaction between or among the taxpayer and the
40 New Jersey emerging technology business or the New Jersey
41 emerging technology holding company or both in exchange for
42 stock, interests in partnerships or joint ventures, licenses (exclusive
43 or non-exclusive), rights to use technology, marketing rights,
44 warrants, options, or any items similar to those included herein,
45 including, but not limited to, options or rights to acquire any of the
46 items included herein; or a purchase, production, or research
47 agreement between or among the taxpayer and the New Jersey
48 emerging technology business or the New Jersey emerging

1 technology holding company or both. "Qualified investment" also
2 means the non-refundable transfer of cash or irrevocable contractual
3 commitment to a qualified venture fund.

4 "Qualified research expenses" means qualified research
5 expenses, as defined in section 41 of the federal Internal Revenue
6 Code of 1986 (26 U.S.C. § 41), as in effect on June 30, 1992, in the
7 fields of advanced computing, advanced materials, biotechnology,
8 carbon footprint reduction technology, electronic device
9 technology, information technology, life sciences, medical device
10 technology, mobile communications technology, or renewable
11 energy technology.

12 "Qualified venture fund" means a venture fund required by
13 contract to invest a minimum of 50 percent of its funds in New
14 Jersey based businesses that the authority, in its sole discretion,
15 based upon the qualified venture fund's investment history, if any,
16 its private placement memorandum and other relevant information,
17 has determined has the capacity to make the minimum investment.

18 "Related person" means:

19 a corporation, partnership, association or trust controlled by the
20 taxpayer;

21 an individual, corporation, partnership, association or trust that is
22 in the control of the taxpayer;

23 a corporation, partnership, association or trust controlled by an
24 individual, corporation, partnership, association or trust that is in
25 the control of the taxpayer; or

26 a member of the same controlled group as the taxpayer.

27 "Renewable energy technology" means a technology involving
28 the generation of electricity from solar energy; wind energy; wave
29 or tidal action; geothermal energy; the combustion of gas from the
30 anaerobic digestion of food waste and sewage sludge at a biomass
31 generating facility; the combustion of methane gas captured from a
32 landfill; and a fuel cell powered by methanol, ethanol, landfill gas,
33 digester gas, biomass gas, or other renewable fuel but not powered
34 by a fossil fuel.

35 "Tax year" means the fiscal or calendar accounting period of a
36 taxpayer.

37 "Venture fund" means a partnership, corporation, trust, or limited
38 liability company that invests cash in a business during the early or
39 expansion stages of a business in exchange for an equity stake in
40 the business in, which the investment is made. Venture firm may
41 include a venture capital fund, a family office fund, or a corporate
42 investor fund, provided that a professional manager administers the
43 venture firm.

44 "Verified transfer of funds" means a non-refundable transfer of
45 funds equal to 100 percent of the taxpayer's qualified investment in
46 the New Jersey emerging technology business holding company to a
47 New Jersey emerging technology business by the New Jersey
48 emerging technology business holding company that is

1 accompanied by documentation, as required by the New Jersey
2 Economic Development Authority, which provides proof of a cash
3 transaction originating with a taxpayer and concluding with a New
4 Jersey emerging technology business, provided that the transactions
5 from origin to destination occur within the same tax year.

6 The definitions of "advanced computing," "advanced materials,"
7 "biotechnology," "carbon footprint reduction technology,"
8 "electronic device technology," "information technology," "life
9 sciences," "medical device technology," "mobile communications
10 technology," "New Jersey emerging technology business," "pilot
11 scale manufacturing," and "renewable energy technology" may be
12 modified by regulation to conform to definitions in other programs
13 administered by the authority.

14 (cf: P.L.2020, c.156, s.117)

15

16 2. Section 3 of P.L.1997, c.349 (C.54:10A-5.30) is amended to
17 read as follows:

18 3. a. (1) A taxpayer, upon approval of the taxpayer's
19 application therefor by the New Jersey Economic Development
20 Authority and in consultation with the director, shall be allowed a
21 credit against the tax imposed pursuant to section 5 of P.L.1945,
22 c.162 (C.54:10A-5), in an amount equal to **[20]** 60 percent of the
23 qualified investment made by the taxpayer in a New Jersey
24 emerging technology business, in a New Jersey emerging
25 technology business holding company that makes a verified transfer
26 of funds to a New Jersey emerging technology business, or in a
27 qualified venture fund; provided, however, a taxpayer may be
28 allowed a tax credit in an amount equal to **[25]** 65 percent of the
29 qualified investment if the taxpayer satisfies one of the
30 requirements set forth in paragraph (2) of this subsection. The value
31 of tax credits allowed to a taxpayer pursuant to this section shall not
32 exceed \$500,000 for the privilege period for each qualified
33 investment made by the taxpayer.

34 (2) Subject to the limits established in paragraph (1) of this
35 subsection, the New Jersey Economic Development Authority, in
36 consultation with the director, shall increase the amount of a tax
37 credit allowed pursuant to this section by five percent if the
38 taxpayer makes a qualified investment in a New Jersey emerging
39 technology business, or in a New Jersey emerging technology
40 business holding company that makes a verified transfer of funds to
41 a New Jersey emerging technology business, or in a qualified
42 venture fund, if the New Jersey emerging technology business is
43 either located in a qualified opportunity zone pursuant to 26 U.S.C.
44 § 1400Z-1, or a low-income community as defined in subparagraph
45 (e) of 26 U.S.C. § 45D or certified by the State as a minority
46 business or a women's business pursuant to P.L.1986, c.195
47 (C.52:27H-21.17 et seq.) and, in the case of a qualified venture

1 fund, if the qualified venture fund commits by contract to invest 50
2 percent of its funds in diverse entrepreneurs.

3 b. A credit shall not be allowed pursuant to section 1 of
4 P.L.1993, c.175 (C.54:10A-5.24), for expenses paid from funds for
5 which a credit is allowed, or which are includable in the calculation
6 of a credit allowed, under this section. Notwithstanding any other
7 provision of law, the order of priority in which the credit allowed
8 by this section and any other credits allowed by law may be taken
9 shall be as prescribed by the director.

10 c. Except as provided in subsection d. of this section, the
11 amount of credit otherwise allowable under this section which
12 cannot be applied for the privilege period against tax liability
13 otherwise due for that privilege period may either be carried over, if
14 necessary, to the 15 privilege periods following the privilege period
15 for which the credit was allowed or, at the election of the taxpayer,
16 be claimed as and treated as an overpayment for the purposes of
17 R.S.54:49-15, provided, however, that section 7 of P.L.1992, c.175
18 (C.54:49-15.1) shall not apply.

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

36 e. The Executive Director of the New Jersey Economic
37 Development Authority, in consultation with the director, shall
38 adopt, pursuant to the "Administrative Procedure Act," P.L.1968,
39 c.410 (C.52:14B-1 et seq.), rules and regulations that are necessary
40 to implement sections 1 through 3 of P.L.1997, c.349 (C.54:10A-
41 5.28 through C.54:10A-5.30) and section 4 of P.L.2013, c.14
42 (C.54A:4-13), including, but not limited to: examples of and the
43 determination of qualified investments of which applicants shall
44 provide documentation with their tax credit application; the
45 promulgation of procedures and forms necessary to apply for a
46 credit; provisions for recapture in the event a taxpayer receives a
47 credit on the basis of its commitment to transfer cash to a qualified
48 venture fund and it does not fund its commitment; and provisions

1 for credit applicants to be charged an initial application fee and
2 ongoing service fees to cover the administrative costs related to the
3 credit.

4 The amount of credits approved by the Executive Director of the
5 New Jersey Economic Development Authority, and in consultation
6 with the director, pursuant to subsection a. of this section and
7 pursuant to section 4 of P.L.2013, c.14 (C.54A:4-13), shall not
8 exceed a cumulative total of \$35,000,000 in any calendar year to
9 apply against the tax imposed pursuant to section 5 of P.L.1945,
10 c.162 (C.54:10A-5) and the tax imposed pursuant to the "New
11 Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq. If the
12 cumulative amount of credits allowed to taxpayers in a calendar
13 year exceeds the amount of credits available in that year, then
14 taxpayers who have first applied for and have not been allowed a
15 credit amount for that reason shall be allowed, in the order in which
16 they have submitted an application, the amount of the tax credit on
17 the first day of the next succeeding calendar year in which tax
18 credits under this section and section 4 of P.L.2013, c.14 (C.54A:4-
19 13) are not in excess of the amount of credits available.
20 (cf: P.L.2020, c.156, s.118)

21

22 3. Section 4 of P.L.2013, c.14 (C.54A:4-13) is amended to read
23 as follows:

24 4. a. (1) A taxpayer, upon approval of the taxpayer's
25 application therefor by the New Jersey Economic Development
26 Authority, and in consultation with the director, shall be allowed a
27 credit against the tax otherwise due for the taxable year under the
28 "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., in an
29 amount equal to **20** 60 percent of the qualified investment made
30 by the taxpayer in a New Jersey emerging technology business, in a
31 New Jersey emerging technology business holding company that
32 makes a verified transfer of funds to a New Jersey emerging
33 technology business, or in a qualified venture fund; provided,
34 however, a taxpayer may be allowed a tax credit in an amount equal
35 to **25** 65 percent of the qualified investment if the taxpayer
36 satisfies one of the requirements set forth in paragraph (2) of this
37 subsection. The value of tax credits allowed to a taxpayer pursuant
38 to this section shall not exceed \$500,000 for the taxable year for
39 each qualified investment made by the taxpayer.

40 (2) Subject to the limits established in paragraph (1) of this
41 subsection, the New Jersey Economic Development Authority, in
42 consultation with the director, shall increase the amount of a tax
43 credit allowed pursuant to this section by five percent if the
44 taxpayer makes a qualified investment in a New Jersey emerging
45 technology business, in a New Jersey emerging technology business
46 holding company that makes a verified transfer of funds to a New
47 Jersey emerging technology business, or in a qualified venture fund,
48 if the New Jersey emerging technology business is either located in

1 a qualified opportunity zone pursuant to 26 U.S.C. § 1400Z-1, or a
2 low-income community as defined in subparagraph (e) of 26 U.S.C.
3 § 45D; or certified by the State as a minority business or a women's
4 business pursuant to P.L.1986, c.195 (C.52:27H-21.17 et seq.) and,
5 in the case of a qualified venture fund, if the qualified venture fund
6 commits by contract to invest 50 percent of its funds in diverse
7 entrepreneurs.

8 b. The amount of the credit allowed pursuant to this section
9 shall be applied against the tax otherwise due under the "New
10 Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., after all other
11 credits and payments. If the credit exceeds the amount of tax
12 liability otherwise due, that amount of excess shall be an
13 overpayment for the purposes of N.J.S.54A:9-7, provided, however,
14 that subsection (f) of N.J.S.54A:9-7 shall not apply.

15 c. (1) A partnership shall not be allowed a credit under this
16 section directly, but the amount of credit of a taxpayer in respect of
17 a distributive share of partnership income under the "New Jersey
18 Gross Income Tax Act," N.J.S.54A:1-1 et seq., shall be determined
19 by allocating to the taxpayer that proportion of the credit acquired
20 by the partnership that is equal to the taxpayer's share, whether or
21 not distributed, of the total distributive income or gain of the
22 partnership for its taxable year ending within or with the taxpayer's
23 taxable year. For the purposes of subsection b. of this section, the
24 amount of tax liability that would be otherwise due of a taxpayer is
25 that proportion of the total liability of the taxpayer that the
26 taxpayer's share of the partnership income or gain included in gross
27 income bears to the total gross income of the taxpayer.

28 (2) The credit for a corporation that has made a valid election as
29 a New Jersey S corporation pursuant to section 3 of P.L.1993, c.173
30 (C.54:10A-5.22) may be applied by the shareholders of the S
31 corporation against the tax liability otherwise due under the "New
32 Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., provided that
33 the amount of credit that may be used by a shareholder of the S
34 corporation shall be determined by allocating to each shareholder of
35 the S corporation that proportion of the tax credit of the S
36 corporation that is equal to the shareholder's proportionate share of
37 the S corporation, whether or not distributed, of the total
38 distributive income or gain of the S corporation for its tax period
39 ending with or within the shareholder's tax period, and the credit
40 may be applied by the shareholders against the tax liability
41 otherwise due pursuant to the "New Jersey Gross Income Tax Act,"
42 N.J.S.54A:1-1 et seq.

43 d. The Executive Director of the New Jersey Economic
44 Development Authority, in consultation with the director, shall
45 adopt, pursuant to the "Administrative Procedure Act," P.L.1968,
46 c.410 (C.52:14B-1 et seq.), rules and regulations that are necessary
47 to implement sections 1 through 3 of P.L.1997, c.349 (C.54:10A-
48 5.28 through C.54:10A-5.30) and this section, including, but not

1 limited to: examples of and the determination of qualified
2 investments of which applicants shall provide documentation with
3 their tax credit application; the promulgation of procedures and
4 forms necessary to apply for a credit; provisions for recapture in the
5 event a taxpayer receives a credit on the basis of its commitment to
6 transfer cash to a qualified venture fund and it does not fund its
7 commitment; and provisions for credit applicants to be charged an
8 initial application fee and ongoing service fees to cover the
9 administrative costs related to the credit.

10 The amount of credits approved by the Executive Director of the
11 New Jersey Economic Development Authority and the Director of
12 the Division of Taxation in the Department of the Treasury,
13 pursuant to subsection a. of this section and pursuant to section 3 of
14 P.L.1997, c.349 (C.54:10A-5.30), shall not exceed a cumulative
15 total of \$35,000,000 in any calendar year to apply against the tax
16 imposed pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5), and
17 the tax imposed pursuant to the "New Jersey Gross Income Tax
18 Act," N.J.S.54A:1-1 et seq. If the cumulative amount of credits
19 allowed to taxpayers in a calendar year exceeds the amount of
20 credits available in that year, then taxpayers who have first applied
21 for and have not been allowed a credit amount for that reason shall
22 be allowed, in the order in which they have submitted an
23 application, the amount of the tax credit on the first day of the next
24 succeeding calendar year in which tax credits under this section and
25 section 3 of P.L.1997, c.349 (C.54:10A-5.30) are not in excess of
26 the amount of credits available.

27 e. As used in this section:

28 "Advanced computing" means a technology used in the
29 designing and developing of computing hardware and software,
30 including innovations in designing the full spectrum of hardware
31 from hand-held calculators to super computers, and peripheral
32 equipment.

33 "Advanced materials" means materials with engineered
34 properties created through the development of specialized
35 processing and synthesis technology, including ceramics, high
36 value-added metals, electronic materials, composites, polymers, and
37 biomaterials.

38 "Biotechnology" means the continually expanding body of
39 fundamental knowledge about the functioning of biological systems
40 from the macro level to the molecular and sub-atomic levels, as
41 well as novel products, services, technologies, and sub-technologies
42 developed as a result of insights gained from research advances
43 which add to that body of fundamental knowledge.

44 "Carbon footprint reduction technology" means a technology
45 using equipment for the commercial, institutional, and industrial
46 sectors that: increases energy efficiency; develops and delivers
47 renewable or non-carbon-emitting energy technologies; develops
48 innovative carbon emissions abatement with significant carbon

1 emissions reduction potential; or promotes measurable electricity
2 end-use energy efficiency.

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

15 "Controlled group" means one or more chains of corporations
16 connected through stock ownership with a common parent
17 corporation if stock possessing at least 80 percent of the voting
18 power of all classes of stock of each of the corporations is owned
19 directly or indirectly by one or more of the corporations and the
20 common parent owns directly stock possessing at least 80 percent of
21 the voting power of all classes of stock of at least one of the other
22 corporations.

23 "Director" means the Director of the Division of Taxation in the
24 Department of the Treasury.

25 "Diverse entrepreneur" means a New Jersey based business that
26 meets the criteria for a minority business or female business set
27 forth in section 3 of P.L.1983, c.482 (C.52:32-19).

28 "Electronic device technology" means a technology involving
29 microelectronics, semiconductors, electronic equipment and
30 instrumentation, radio frequency, microwave and millimeter
31 electronics, and optical and optic-electrical devices, or data and
32 digital communications and imaging devices.

33 "Information technology" means software publishing, motion
34 picture and video production, television production and post-
35 production services, telecommunications, data processing, hosting
36 and related services, custom computer programming services,
37 computer system design, computer facilities management services,
38 other computer related services, and computer training.

39 "Life sciences" means the production of medical equipment,
40 ophthalmic goods, medical or dental instruments, diagnostic
41 substances, biopharmaceutical products, or physical and biological
42 research.

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

47 "Mobile communications technology" means a technology
48 involving the functionality and reliability of the transmission of

1 voice and multimedia data using a communication infrastructure via
2 a computer or a mobile device, that shall include, but not be limited
3 to, smartphones, electronic books and tablets, digital audio players,
4 motor vehicle electronics, home entertainment systems, and other
5 wireless appliances, without having connected to any physical or
6 fixed link.

7 "New Jersey based business" means a company with fewer than
8 **[225]** 150 employees, of whom at least 75 percent are filling a
9 position in New Jersey, that is doing business, employing or owning
10 capital or property, or maintaining an office in this State.

11 "New Jersey emerging technology business" means a company
12 with fewer than **[225]** 150 employees, of whom at least 75 percent
13 are filling a position in New Jersey, that is doing business,
14 employing or owning capital or property, or maintaining an office
15 in this State and: has qualified research expenses paid or incurred
16 for research conducted in this State; conducts pilot scale
17 manufacturing in this State; or conducts technology
18 commercialization in this State in the fields of advanced computing,
19 advanced materials, biotechnology, carbon footprint reduction
20 technology, electronic device technology, information technology,
21 life sciences, medical device technology, mobile communications
22 technology, or renewable energy technology.

23 "New Jersey emerging technology business holding company"
24 means any corporation, association, firm, partnership, trust or other
25 form of business organization, but not a natural person, which
26 directly or indirectly, owns, has the power or right to control, or has
27 the power to vote, a controlling share of the outstanding voting
28 securities of a corporation or other form of a New Jersey emerging
29 technology business.

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

34 "Pilot scale manufacturing" means design, construction, and
35 testing of preproduction prototypes and models in the fields of
36 advanced computing, advanced materials, biotechnology, carbon
37 footprint reduction technology electronic device technology,
38 information technology, life sciences, medical device technology,
39 mobile communications technology, or renewable energy
40 technology, other than for commercial sale, excluding sales of
41 prototypes or sales for market testing if the total gross receipts, as
42 calculated in the manner provided in section 6 of P.L.1945, c.162
43 (C.54:10A-6), from the sales of the product, service, or process do
44 not exceed \$1,000,000.

45 "Qualified investment" means the non-refundable transfer of
46 cash to a New Jersey emerging technology business or to a New
47 Jersey emerging technology business holding company by a
48 taxpayer that is not a related person of the New Jersey emerging

1 technology business or the New Jersey emerging technology
2 business holding company, the transfer of which is in connection
3 with either: a transaction between or among the taxpayer and the
4 New Jersey emerging technology business or the New Jersey
5 emerging technology holding company or both in exchange for
6 stock, interests in partnerships or joint ventures, licenses (exclusive
7 or non-exclusive), rights to use technology, marketing rights,
8 warrants, options, or any items similar to those included herein,
9 including, but not limited to, options or rights to acquire any of the
10 items included herein; or a purchase, production, or research
11 agreement between or among the taxpayer and the New Jersey
12 emerging technology business or the New Jersey emerging
13 technology holding company or both. "Qualified investment" also
14 means the non-refundable transfer of cash or irrevocable contractual
15 commitment to transfer cash to a qualified venture fund.

16 "Qualified research expenses" means qualified research
17 expenses, as defined in section 41 of the federal Internal Revenue
18 Code of 1986 (26 U.S.C. s.41), as in effect on June 30, 1992, in the
19 fields of advanced computing, advanced materials, biotechnology,
20 electronic device technology, information technology, life sciences,
21 medical device technology, mobile communications technology, or
22 renewable energy technology.

23 "Qualified venture fund" means a venture fund required by
24 contract to invest a minimum of 50 percent of its funds in New
25 Jersey based businesses that the authority, in its sole discretion,
26 based upon the qualified venture fund's investment history, if any,
27 its private placement memorandum and other relevant information,
28 has determined has the capacity to make the minimum investment.

29 "Related person" means:

30 a corporation, partnership, association or trust controlled by the
31 taxpayer;

32 an individual, corporation, partnership, association or trust that is
33 in the control of the taxpayer;

34 a corporation, partnership, association or trust controlled by an
35 individual, corporation, partnership, association or trust that is in
36 the control of the taxpayer; or

37 a member of the same controlled group as the taxpayer.

38 "Renewable energy technology" means a technology involving
39 the generation of electricity from solar energy; wind energy; wave
40 or tidal action; geothermal energy; the combustion of gas from the
41 anaerobic digestion of food waste and sewage sludge at a biomass
42 generating facility; the combustion of methane gas captured from a
43 landfill; and a fuel cell powered by methanol, ethanol, landfill gas,
44 digester gas, biomass gas, or other renewable fuel but not powered
45 by a fossil fuel.

46 "Venture fund" means a partnership, corporation, trust, or limited
47 liability company that invests cash in a business during the early or
48 expansion stages of a business in exchange for an equity stake in

1 the business in, which the investment is made. Venture firm may
2 include a venture capital fund, a family office fund, or a corporate
3 investor fund, provided that a professional manager administers the
4 venture firm.

5 "Verified transfer of funds" means a non-refundable transfer of
6 funds equal to 100 percent of the taxpayer's qualified investment in
7 the New Jersey emerging technology business holding company to a
8 New Jersey emerging technology business by the New Jersey
9 emerging technology business holding company that is
10 accompanied by documentation, as required by the New Jersey
11 Economic Development Authority, which provides proof of a cash
12 transaction originating with a taxpayer and concluding with a New
13 Jersey emerging technology business, provided that the transactions
14 from origin to destination occur within the same taxable year.

15 The definitions of "advanced computing," "advanced materials,"
16 "biotechnology," "carbon footprint reduction technology,"
17 "electronic device technology," "information technology," "life
18 sciences," "medical device technology," "mobile communications
19 technology," "New Jersey emerging technology business," "pilot
20 scale manufacturing," and "renewable energy technology" may be
21 modified by regulation to conform to definitions in other programs
22 administered by the authority.
23 (cf: P.L.2020, c.156, s.119)

24
25 4. This act shall take effect immediately and shall apply to
26 taxable years and privilege periods beginning on or after January 1
27 of the year next following the date of enactment.

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STATEMENT

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32 This bill increases the amount of the tax credits provided under
33 the "New Jersey Angel Investor Tax Credit Act" for qualified
34 investments made in New Jersey nascent technology business
35 ventures. Under current law, taxpayers are allowed credits against
36 the gross income tax and corporation business tax equal to 20
37 percent of a qualified investment made by the taxpayer in a New
38 Jersey emerging technology business, or in a qualified venture fund.
39 Taxpayers can qualify for an additional five percent credit provided
40 that the qualified investment is made in an emerging technology
41 business that is located in an opportunity zone or a low-income
42 community, is a minority business or women's business, or, in the
43 case of a qualified venture fund, if the qualified venture fund
44 commits by contract to invest 50 percent of its funds in diverse
45 entrepreneurs.

46 The bill would increase the amount of the tax credit provided to
47 taxpayers that make qualified investments from 20 to 60 percent
48 while increasing the total amount of the tax credit provided to

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1 taxpayers that qualify for the additional five percent credit from 25
2 to 65 percent. The bill would also revise the definitions of a “New
3 Jersey based business” and a “New Jersey emerging technology
4 business” to lower the maximum number of employees a business
5 can have to qualify for the tax credit from 225 employees to 150
6 employees.