

SENATE, No. 4255

STATE OF NEW JERSEY
220th LEGISLATURE

INTRODUCED DECEMBER 28, 2023

Sponsored by:
Senator ANDREW ZWICKER
District 16 (Hunterdon, Mercer, Middlesex and Somerset)

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.



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

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

9 "Director" means the Director of the Division of Taxation in the
10 Department of the Treasury.

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

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

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

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

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

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

41 "New Jersey based business" means a company with fewer than
42 **[225]** 150 employees, of whom at least 75 percent are filling a
43 position in New Jersey, that is doing business, employing or owning
44 capital or property, or maintaining an office in this State.

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

1 in this State and: has qualified research expenses paid or incurred
2 for research conducted in this State; conducts pilot scale
3 manufacturing in this State; or conducts technology
4 commercialization in this State in the fields of advanced computing,
5 advanced materials, biotechnology, carbon footprint reduction
6 technology, electronic device technology, information technology,
7 life sciences, medical device technology, mobile communications
8 technology, or renewable energy technology.

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

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

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

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

1 means the non-refundable transfer of cash or irrevocable contractual
2 commitment to a qualified venture fund.

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

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

17 "Related person" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

33 (2) Subject to the limits established in paragraph (1) of this
34 subsection, the New Jersey Economic Development Authority, in
35 consultation with the director, shall increase the amount of a tax
36 credit allowed pursuant to this section by five percent if the
37 taxpayer makes a qualified investment in a New Jersey emerging
38 technology business, or in a New Jersey emerging technology
39 business holding company that makes a verified transfer of funds to
40 a New Jersey emerging technology business, or in a qualified
41 venture fund, if the New Jersey emerging technology business is
42 either located in a qualified opportunity zone pursuant to 26 U.S.C.
43 § 1400Z-1, or a low-income community as defined in subparagraph
44 (e) of 26 U.S.C. § 45D or certified by the State as a minority
45 business or a women's business pursuant to P.L.1986, c.195
46 (C.52:27H-21.17 et seq.) and, in the case of a qualified venture
47 fund, if the qualified venture fund commits by contract to invest 50
48 percent of its funds in diverse entrepreneurs.

- 1 b. A credit shall not be allowed pursuant to section 1 of
2 P.L.1993, c.175 (C.54:10A-5.24), for expenses paid from funds for
3 which a credit is allowed, or which are includable in the calculation
4 of a credit allowed, under this section. Notwithstanding any other
5 provision of law, the order of priority in which the credit allowed
6 by this section and any other credits allowed by law may be taken
7 shall be as prescribed by the director.
- 8 c. Except as provided in subsection d. of this section, the
9 amount of credit otherwise allowable under this section which
10 cannot be applied for the privilege period against tax liability
11 otherwise due for that privilege period may either be carried over, if
12 necessary, to the 15 privilege periods following the privilege period
13 for which the credit was allowed or, at the election of the taxpayer,
14 be claimed as and treated as an overpayment for the purposes of
15 R.S.54:49-15, provided, however, that section 7 of P.L.1992, c.175
16 (C.54:49-15.1) shall not apply.
- 17 d. A taxpayer may not carry over any amount of credit allowed
18 under subsection a. of this section to a privilege period during
19 which a corporate acquisition with respect to which the taxpayer
20 was a target corporation occurred or during which the taxpayer was
21 a party to a merger or a consolidation, or to any subsequent
22 privilege period, if the credit was allowed for a privilege period
23 prior to the year of acquisition, merger or consolidation, except that
24 if in the case of a corporate merger or corporate consolidation the
25 taxpayer can demonstrate, through the submission of a copy of the
26 plan of merger or consolidation and such other evidence as may be
27 required by the director, the identity of the constituent corporation
28 which was the acquiring person, a credit allowed to the acquiring
29 person may be carried over by the taxpayer. As used in this
30 subsection, "acquiring person" means the constituent corporation
31 the stockholders of which own the largest proportion of the total
32 voting power in the surviving or consolidated corporation after the
33 merger or consolidation.
- 34 e. The Executive Director of the New Jersey Economic
35 Development Authority, in consultation with the director, shall
36 adopt, pursuant to the "Administrative Procedure Act," P.L.1968,
37 c.410 (C.52:14B-1 et seq.), rules and regulations that are necessary
38 to implement sections 1 through 3 of P.L.1997, c.349
39 (C.54:10A-5.28 through C.54:10A-5.30) and section 4 of P.L.2013,
40 c.14 (C.54A:4-13), including, but not limited to: examples of and
41 the determination of qualified investments of which applicants shall
42 provide documentation with their tax credit application; the
43 promulgation of procedures and forms necessary to apply for a
44 credit; provisions for recapture in the event a taxpayer receives a
45 credit on the basis of its commitment to transfer cash to a qualified
46 venture fund and it does not fund its commitment; and provisions
47 for credit applicants to be charged an initial application fee and

1 ongoing service fees to cover the administrative costs related to the
2 credit.

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

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

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

39 (2) Subject to the limits established in paragraph (1) of this
40 subsection, the New Jersey Economic Development Authority, in
41 consultation with the director, shall increase the amount of a tax
42 credit allowed pursuant to this section by five percent if the
43 taxpayer makes a qualified investment in a New Jersey emerging
44 technology business, in a New Jersey emerging technology business
45 holding company that makes a verified transfer of funds to a New
46 Jersey emerging technology business, or in a qualified venture fund,
47 if the New Jersey emerging technology business is either located in
48 a qualified opportunity zone pursuant to 26 U.S.C. § 1400Z-1, or a

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

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

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

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

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

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

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

26 e. As used in this section:

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

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

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

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

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

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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.

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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
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30 instrumentation, radio frequency, microwave and millimeter
31 electronics, and optical and optic-electrical devices, or data and
32 digital communications and imaging devices.

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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.

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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.

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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.
28
29

30 STATEMENT

31
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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15

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.