

ASSEMBLY, No. 5592

STATE OF NEW JERSEY 222nd LEGISLATURE

INTRODUCED OCTOBER 5, 2026

Sponsored by:

Assemblyman GERRY SCHARFENBERGER
District 13 (Monmouth)

Co-Sponsored by:

Assemblyman Clifton and Assemblywoman Flynn

SYNOPSIS

Provides corporation business and gross income tax credits to certain businesses for qualified purchases from NJ small businesses.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT providing tax credits to certain business for certain
2 purchases from small business and supplementing P.L.1945,
3 c.162 (C.54:10A-1 et seq.) and Title 54A of the New Jersey
4 Statutes.

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

8
9 1. a. As used in this section:

10 “Eligible business” means a business with no more than 100 full-
11 time employees and taxable income of no more than \$20 million
12 that is independently owned and operated, has its principal place of
13 business in this State, and is not delinquent or deficient with respect
14 to the payment of any State tax.

15 “Qualified purchase” means a purchase of goods or services from
16 a small business, including, but not limited to: agricultural or
17 horticultural projects produced in this State; tools or manufacturing
18 equipment; furniture or fixtures; supplies; products manufactured or
19 substantially transformed in this State; professional services;
20 technology services; construction, maintenance, repair, and other
21 services related to the property used for the eligible business;
22 communications or advertising services; and transportation or
23 logistics services. “Qualified purchase” does not include payments
24 to a small business for utilities, rent, or a mortgage.

25 “Small business” means a business with no more than 50 full-
26 time employees, at least one of whom is a resident of this State, that
27 is registered to do business in this State, maintains at least one
28 physical business location in this State, is independently owned and
29 operated, has its principal place of business in this State, and is not
30 delinquent or deficient with respect to the payment of any State tax.
31 “Small business” does not include any subsidiary or affiliate of the
32 eligible business applying for a tax credit pursuant to this section.

33 b. A taxpayer that is an eligible business shall be allowed a
34 credit against the tax imposed pursuant to section 5 of P.L.1945,
35 c.162 (C.54:10A-5) in an amount equal to five percent of the
36 qualified purchases incurred during the privilege period by the
37 taxpayer, provided that the total value of credits allowed to a
38 taxpayer during any privilege period shall not exceed \$100,000.

39 c. When filing a return that includes a claim for a tax credit
40 allowed pursuant to this section, a taxpayer shall include such
41 business records as may be required by the director documenting
42 the qualified purchases incurred by the taxpayer during the
43 privilege period.

44 d. No tax credit shall be allowed pursuant to this section for
45 any costs or expenses included in the calculation of any other tax
46 credit or exemption granted pursuant to a claim made on a tax
47 return filed with the director, or included in the calculation of an
48 award of business assistance or incentive, for a period of time that

1 coincides with the privilege period for which a tax credit authorized
2 pursuant to this section is allowed.

3 e. The order of priority in which the tax credit allowed
4 pursuant to this section and any other tax credits allowed by law
5 may be taken shall be as prescribed by the director. The amount of
6 the tax credit applied under this section against the tax imposed
7 pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5) for a
8 privilege period, when taken together with any other payments,
9 credits, deductions, and adjustments allowed by law, shall not
10 reduce the tax liability of the taxpayer to an amount less than the
11 statutory minimum provided in subsection (e) of section 5 of
12 P.L.1945, c.162 (C.54:10A-5). The amount of the tax credit
13 otherwise allowable under this section which cannot be applied for
14 the privilege period due to the limitations of this subsection or
15 under other provisions of P.L.1945, c.162 (C.54:10A-1 et seq.) may
16 be carried forward, if necessary, to the seven privilege periods
17 following the privilege period for which the tax credit was allowed,
18 after which the credit shall expire.

19
20 2. a. As used in this section:

21 “Eligible business” means a business with no more than 100 full-
22 time employees and taxable income of no more than \$20 million
23 that is independently owned and operated, has its principal place of
24 business in this State, and is not delinquent or deficient with respect
25 to the payment of any State tax.

26 “Qualified purchase” means a purchase of goods or services from
27 a small business, including, but not limited to: agricultural or
28 horticultural projects produced in this State; tools or manufacturing
29 equipment; furniture or fixtures; supplies; products manufactured or
30 substantially transformed in this State; professional services;
31 technology services; construction, maintenance, repair, and other
32 services related to the property used for the eligible business;
33 communications or advertising services; and transportation or
34 logistics services. “Qualified purchase” does not include payments
35 to a small business for utilities, rent, or a mortgage.

36 “Small business” means a business with no more than 50 full-
37 time employees, at least one of whom is a resident of this State, that
38 is registered to do business in this State, maintains at least one
39 physical business location in this State, is independently owned and
40 operated, has its principal place of business in this State, and is not
41 delinquent or deficient with respect to the payment of any State tax.
42 “Small business” does not include any subsidiary or affiliate of the
43 eligible business applying for a tax credit pursuant to this section.

44 b. A taxpayer that is an eligible business shall be allowed a
45 credit against the tax otherwise due for the taxable year under the
46 “New Jersey Gross Income Tax Act,” N.J.S.54A:1-1 et seq. in an
47 amount equal to five percent of the qualified purchases incurred
48 during the taxable year by the taxpayer, provided that the total value

1 of credits allowed to a taxpayer during any taxable year shall not
2 exceed \$100,000.

3 c. When filing a return that includes a claim for a tax credit
4 allowed pursuant to this section, a taxpayer shall include such
5 business records as may be required by the director documenting
6 the qualified purchases incurred by the taxpayer during the taxable
7 year.

8 d. No tax credit shall be allowed pursuant to this section for
9 any costs or expenses included in the calculation of any other tax
10 credit or exemption granted pursuant to a claim made on a tax
11 return filed with the director, or included in the calculation of an
12 award of business assistance or incentive, for a period of time that
13 coincides with the taxable year for which a tax credit authorized
14 pursuant to this section is allowed.

15 e. The order of priority in which the tax credit allowed
16 pursuant to this section and any other tax credits allowed by law
17 may be taken shall be as prescribed by the director. The amount of
18 the tax credit applied under this section against the tax imposed
19 pursuant to "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et
20 seq. for a taxable year, when taken together with any other
21 payments, credits, deductions, and adjustments allowed by law,
22 shall not reduce the tax liability of the taxpayer to an amount less
23 than zero. The amount of the tax credit otherwise allowable under
24 this section which cannot be applied for the taxable year due to the
25 limitations of this section or other provisions of N.J.S.54A:1-1 et
26 seq. may be carried forward, if necessary, to the seven taxable years
27 following the taxable year for which the tax credit was allowed,
28 after which the credit shall expire.

29 f. (1) A business entity that is classified as a partnership for
30 federal income tax purposes shall not be allowed a tax credit
31 pursuant to this section directly, but the amount of tax credit of a
32 taxpayer in respect of a distributive share of entity income, shall be
33 determined by allocating to the taxpayer that proportion of the tax
34 credit acquired by the entity that is equal to the taxpayer's share,
35 whether or not distributed, of the total distributive income or gain
36 of the entity for its taxable year ending within or with the taxpayer's
37 taxable year.

38 (2) A New Jersey S Corporation shall not be allowed a tax credit
39 pursuant to this section directly, but the amount of tax credit of a
40 taxpayer in respect of a pro rata share of S Corporation income,
41 shall be determined by allocating to the taxpayer that proportion of
42 the tax credit acquired by the New Jersey S Corporation that is
43 equal to the taxpayer's share, whether or not distributed, of the total
44 pro rata share of S Corporation income of the New Jersey S
45 Corporation for its privilege period ending within or with the
46 taxpayer's taxable year.

1 3. The Director of the Division of Taxation in the Department
2 of the Treasury shall adopt, pursuant to the “Administrative
3 Procedure Act,” P.L.1968, c.410 (C.52:14B-1 et seq.), rules and
4 regulations necessary to implement P.L. , c. (C.) (pending
5 before the Legislature as this bill).

6
7 4. This act shall take effect immediately and apply to any tax
8 period beginning on or after the effective date of this act.

9
10
11 STATEMENT

12
13 This bill creates a corporation business tax and gross income tax
14 credit for eligible businesses that make qualified purchases from
15 small businesses.

16 Under the bill, the value of the credit is to equal five percent of
17 the qualified purchases incurred by the eligible business in the tax
18 period, up to a total value of \$100,000 for an eligible business
19 during any tax period. When filing a tax return that includes a
20 claim for the tax credit allowed under the bill, a taxpayer is required
21 to include such business records as may be required by the Director
22 of the Division of Taxation in the Department of the Treasury
23 documenting the qualified purchases incurred by the taxpayer.

24 Under the bill, an “eligible business” is a business with no more
25 than 100 full-time employees and taxable income of no more than
26 \$20 million that is independently owned and operated, has its
27 principal place of business in this State, and is not delinquent or
28 deficient with respect to the payment of any State tax.

29 “Qualified purchase” means a purchase of goods or services from
30 a small business, including, but not limited to: agricultural or
31 horticultural projects produced in this State; tools or manufacturing
32 equipment; furniture or fixtures; supplies; products manufactured or
33 substantially transformed in this State; professional services;
34 technology services; construction, maintenance, repair, and other
35 services related to the property used for the eligible business;
36 communications or advertising services; and transportation or
37 logistics services. “Qualified purchase” does not include payments
38 to a small business for utilities, rent, or a mortgage.

39 “Small business” means a business with no more than 50 full-
40 time employees, at least one of whom is a resident of this State, that
41 is registered to do business in this State, maintains at least one
42 physical business location in this State, is independently owned and
43 operated, has its principal place of business in this State, and is not
44 delinquent or deficient with respect to the payment of any State tax.
45 “Small business” does not include any subsidiary or affiliate of the
46 eligible business applying for a tax credit under the bill’s
47 provisions.