

# SENATE, No. 581

## STATE OF NEW JERSEY 215th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2012 SESSION

**Sponsored by:**

**Senator FRED H. MADDEN, JR.**  
**District 4 (Camden and Gloucester)**  
**Senator LORETTA WEINBERG**  
**District 37 (Bergen)**

**Co-Sponsored by:**

**Senators Stack, Sarlo, Cunningham, Van Drew, Beach, A.R.Bucco,  
Gordon, Greenstein and Ruiz**

**SYNOPSIS**

“New Jersey Angel Investor Tax Credit Act;” provides credits against corporation business and gross income taxes for investing in New Jersey emerging technology businesses.

**CURRENT VERSION OF TEXT**

Introduced Pending Technical Review by Legislative Counsel



1 AN ACT providing credits against certain taxes for investing in New  
2 Jersey emerging technology businesses, and amending P.L.1997,  
3 c.349, and supplementing chapter 4 of Title 54A of the New  
4 Jersey Statutes.

5

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

8

9 1. Section 1 of P.L.1997, c.349 (C.54:10A-5.28) is amended to  
10 read as follows:

11 1. **[This act]** Sections 1 through 3 of P.L.1997, c.349  
12 (C.54:10A-5.28 through 54:10A-5.30) and section 4 of P.L. \_\_\_\_\_,  
13 c. (C. \_\_\_\_\_) (pending before the Legislature as this bill) shall be  
14 known and may be cited as the "**[Small]** New **[Jersey-based High-**  
15 **Technology Business Investment]** Jersey Angel Investor Tax Credit  
16 Act."

17 (cf: P.L.1997, c.349, s.1)

18

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

21 2. As used in this act:

22 "Advanced computing" means a technology used in the  
23 designing and developing of computing hardware and software,  
24 including innovations in designing the full spectrum of hardware  
25 from hand-held calculators to super computers, and peripheral  
26 equipment.

27 "Advanced materials" means materials with engineered  
28 properties created through the development of specialized  
29 processing and synthesis technology, including ceramics, high  
30 value-added metals, electronic materials, composites, polymers, and  
31 biomaterials.

32 "Biotechnology" means the continually expanding body of  
33 fundamental knowledge about the functioning of biological systems  
34 from the macro level to the molecular and sub-atomic levels, as  
35 well as novel products, services, technologies and sub-technologies  
36 developed as a result of insights gained from research advances  
37 which add to that body of fundamental knowledge**[:];**.

38 "Control**[:]**" with respect to a corporation**[:]** means ownership,  
39 directly or indirectly, of stock possessing 80% or more of the total  
40 combined voting power of all classes of the stock of the corporation  
41 entitled to vote; and "control**[:]**" with respect to a trust**[:]** means  
42 ownership, directly or indirectly, of 80% or more of the beneficial  
43 interest in the principal or income of the trust. The ownership of  
44 stock in a corporation, of a capital or profits interest in a partnership

**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 or association or of a beneficial interest in a trust shall be  
2 determined in accordance with the rules for constructive ownership  
3 of stock provided in subsection (c) of section 267 of the federal  
4 Internal Revenue Code of 1986[, 26 U.S.C.s.267] (26 U.S.C.  
5 s.267), other than paragraph (3) of subsection (c) of that section[;].

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

14 "Director" means the Director of the Division of Taxation in the  
15 Department of the Treasury[;].

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 ["Environmental technology" means assessment and prevention  
22 of threats or damage to human health or the environment,  
23 environmental cleanup, or the development of alternative energy  
24 sources;]

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

31 "Life sciences" means the production of medical equipment,  
32 ophthalmic goods, medical or dental instruments, diagnostic  
33 substances, biopharmaceutical products; or physical and biological  
34 research.

35 "Medical device technology" means a technology involving any  
36 medical equipment or product (other than a pharmaceutical product)  
37 that has therapeutic value, diagnostic value, or both, and is  
38 regulated by the federal Food and Drug Administration[;].

39 "Mobile communications technology" means a technology  
40 involving the functionality and reliability of transmission of voice  
41 and multimedia data using a communication infrastructure via a  
42 computer or a mobile device, that shall include but shall not be  
43 limited to smartphones, electronic books and tablets, mp3 players,  
44 motor vehicle electronics, home entertainment systems, and other  
45 wireless appliances, without having connected to any physical or  
46 fixed link.

1       "New Jersey emerging technology business" means a company  
2 doing business, employing or owning capital or property, or  
3 maintaining an office, in this State that has qualified research  
4 expenses paid or incurred for research conducted in this State or  
5 conducts pilot scale manufacturing in this State, and has fewer than  
6 225 employees, of whom at least 75 percent are filling a position in  
7 New Jersey.

8       "Partnership" means a syndicate, group, pool, joint venture or  
9 other unincorporated organization through or by means of which  
10 any business, financial operation or venture is carried on, and which  
11 is not a trust or estate, a corporation or a sole proprietorship[;].

12       "Pilot scale manufacturing" means design, construction, and  
13 testing of preproduction prototypes and models in the fields of  
14 advanced computing, advanced materials, biotechnology, electronic  
15 device technology, [environmental technology, and] information  
16 technology, life sciences, medical device technology, mobile  
17 communications technology, and renewable energy technology,  
18 other than for commercial sale, excluding sales of prototypes or  
19 sales for market testing if total gross receipts, as calculated  
20 [pursuant to] in the manner provided in section 6 of P.L.1945,  
21 c.162 (C.54:10A-6), from such sales of the product, service or  
22 process do not exceed \$1,000,000[;].

23       "Qualified investment" means the non-refundable [investment, at  
24 risk in a small New Jersey-based high-technology business,]  
25 transfer of cash [that is transferred] to [the] a [small] New  
26 [Jersey-based high-technology] Jersey emerging technology  
27 business by a taxpayer that is not a related person of the [small]  
28 New [Jersey-based high-technology] Jersey emerging technology  
29 business, the transfer of which is in connection with either (1) a  
30 transaction in exchange for stock, interests in partnerships or joint  
31 ventures, licenses (exclusive or non-exclusive), rights to use  
32 technology, marketing rights, warrants, options or any items similar  
33 to those included herein, including but not limited to options or  
34 rights to acquire any of the items included herein; or (2) a purchase,  
35 production or research agreement.

36       "Qualified research expenses" means qualified research expenses  
37 as defined in section 41 of the federal Internal Revenue Code of  
38 1986[, 26 U.S.C.s.41] (26 U.S.C. s.41), as in effect on June 30,  
39 1992, in the fields of advanced computing, advanced materials,  
40 biotechnology, electronic device technology, [environmental  
41 technology,] information technology, life sciences, [or] medical  
42 device technology, mobile communications technology, or  
43 renewable energy technology[;].

44       "Related person" means:

45       a. a corporation, partnership, association or trust controlled by  
46 the taxpayer;

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

3 c. a corporation, partnership, association or trust controlled by  
4 an individual, corporation, partnership, association or trust that is in  
5 the control of the taxpayer; or

6 d. a member of the same controlled group as the taxpayer【;】.

7 “Renewable energy technology” means a technology involving  
8 the generation of electricity from solar energy; wind energy; wave  
9 or tidal action; geothermal energy; the combustion of gas from the  
10 anaerobic digestion of food waste and sewage sludge at a biomass  
11 generating facility; and the combustion of methane gas captured  
12 from a landfill; a fuel cell powered by methanol, ethanol, landfill  
13 gas, digester gas, biomass gas, or other renewable fuel but not  
14 powered by a fossil fuel.

15 【"Small New Jersey-based high-technology business" means a  
16 corporation doing business, employing or owning capital or  
17 property, or maintaining an office, in this State that has qualified  
18 research expenses paid or incurred for research conducted in this  
19 State or conducts pilot scale manufacturing in this State, and has  
20 fewer than 225 employees, of whom 75% are New Jersey-based  
21 employees filling a position or job in this State; and】

22 "Tax year" means the fiscal or calendar accounting 【year】 period  
23 of a taxpayer.

24 (cf: P.L.1997, c.349, s.2)

25  
26 3. Section 3 of P.L.1997, c.349 (C.54:10A-5.30) is amended to  
27 read as follows:

28 3. a. A taxpayer, upon approval of the taxpayer’s application  
29 therefor by the New Jersey Economic Development Authority and  
30 in consultation with the director, shall be allowed a credit against  
31 the tax imposed pursuant to section 5 of P.L.1945, c.162  
32 (C.54:10A-5), in an amount equal to 10% of the qualified  
33 investment made by the taxpayer 【during each of the three tax years  
34 beginning on or after January 1 next following enactment of this  
35 act,】 in a 【small】 New 【Jersey-based high-technology】 Jersey  
36 emerging technology business, up to a maximum allowed credit of  
37 \$500,000 for the tax year for each qualified investment made by the  
38 taxpayer. 【An unused credit may be carried forward for use in  
39 future years, subject to the \$500,000 per year limitation.】

40 b. A credit shall not be allowed pursuant to section 1 of  
41 P.L.1993, c.175 (C.54:10A-5.24), for expenses paid from funds for  
42 which a credit is allowed, or which are includable in the calculation  
43 of a credit allowed, under this section.

44 【The tax imposed for a tax year pursuant to section 5 of  
45 P.L.1945, c.162, shall first be reduced by the amount of any credit  
46 allowed pursuant to section 19 of P.L.1983, c.303 (C.52:27H-78),  
47 then by any credit allowed pursuant to section 12 of P.L.1985, c.227

1 (C.55:19-13), then by any credit allowed pursuant to section 42 of  
2 P.L.1987, c.102 (C.54:10A-5.3), then by any credit allowed under  
3 section 3 of P.L.1993, c.170 (C.54:10A-5.6), then by any credit  
4 allowed under section 3 or 4 of P.L.1993, c.171 (C.54:10A-5.18 or  
5 C.54:10A-5.19), then by any credit allowed under section 1 of  
6 P.L.1993, c.175 (C.54:10A-5.24), and then by any credit allowed  
7 under section 1 of P.L.1993, c.150 (C.27:26A-15), prior to applying  
8 any credits allowable pursuant to this section. Credits allowable  
9 pursuant to this section shall be applied in the order of the credits'  
10 tax years. The amount of the credits applied under this section  
11 against the tax imposed pursuant to section 5 of P.L.1945, c.162, for  
12 a tax year shall not exceed 50% of the tax liability otherwise due  
13 and shall not reduce the tax liability to an amount less than the  
14 statutory minimum provided in subsection (e) of section 5 of  
15 P.L.1945, c.162. Notwithstanding any other provision of law, the  
16 order of priority in which the credit allowed by this section and any  
17 other credits allowed by law may be taken shall be as prescribed by  
18 the director.

19 c. Except as provided in subsection d. of this section, the  
20 amount of tax year credit otherwise allowable under this section  
21 which cannot be applied for the tax year against tax liability  
22 otherwise due for that tax year [to the limitations of subsection b.  
23 of this section] may either be carried over, if necessary, to the 15  
24 tax years following [a credit's] the tax year for which the credit  
25 was allowed or, at the election of the taxpayer, be claimed as and  
26 treated as an overpayment for the purposes of R.S.54:49-15,  
27 provided, however, that section 7 of P.L.1992, c.175 (C.54:49-15.1)  
28 shall not apply.

29 d. A taxpayer may not carry over any amount of credit [or  
30 credits] allowed under subsection a. of this section to a tax year  
31 during which a corporate acquisition with respect to which the  
32 taxpayer was a target corporation occurred or during which the  
33 taxpayer was a party to a merger or a consolidation, or to any  
34 subsequent tax year, if the credit was allowed for a tax year prior to  
35 the year of acquisition, merger or consolidation, except that if in the  
36 case of a corporate merger or corporate consolidation the taxpayer  
37 can demonstrate, through the submission of a copy of the plan of  
38 merger or consolidation and such other evidence as may be required  
39 by the director, the identity of the constituent corporation which  
40 was the acquiring person, a credit allowed to the acquiring person  
41 may be carried over by the taxpayer. As used in this subsection,  
42 "acquiring person" means the constituent corporation the  
43 stockholders of which own the largest proportion of the total voting  
44 power in the surviving or consolidated corporation after the merger  
45 or consolidation.

46 e. The Executive Director of the New Jersey Economic  
47 Development Authority, in consultation with the director, shall

1 adopt rules in accordance with the "Administrative Procedure Act,"  
2 P.L.1968, c.410 (C.52:14B-1 et seq.) as are necessary to implement  
3 sections 1 through 3 of P.L.1997, c.349 (C.54:10A-5.28 through  
4 54:10A-5.30) and section 4 of P.L. , c. (C. ) (pending before  
5 the Legislature as this bill), including but not limited to: examples  
6 of and the determination of qualified investments of which  
7 applicants must provide documentation with their tax credit  
8 application; the promulgation of procedures and forms necessary to  
9 apply for a credit; and provisions for credit applicants to be charged  
10 an initial application fee, and ongoing service fees, to cover the  
11 administrative costs related to the credit.

12 The amount of credits approved by the Executive Director of the  
13 New Jersey Economic Development Authority, and in consultation  
14 with the director, pursuant to subsection a. of this section and  
15 pursuant to section 4 of P.L. , c. (C. ) (pending before the  
16 Legislature as this bill) shall not exceed a cumulative total of  
17 \$25,000,000 in any calendar year to apply against the tax imposed  
18 pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5), and the tax  
19 imposed pursuant to the "New Jersey Gross Income Tax Act,"  
20 N.J.S.54A:1-1 et seq. If the cumulative amount of credits allowed  
21 to taxpayers in a calendar year exceeds the amount of credits  
22 available in that year, then taxpayers who have first applied for and  
23 have not been allowed a credit amount for that reason shall be  
24 allowed, in the order in which they have submitted an application,  
25 the amount of the tax credit on the first day of the next succeeding  
26 calendar year in which tax credits under this section and section 4  
27 of P.L. , c. (C. ) (pending before the Legislature as this bill)  
28 are not in excess of the amount of credits available.

29 (cf: P.L.1997, c.349, s.3)

30

31 4. (New section) a. A taxpayer, upon approval of the  
32 taxpayer's application therefor by the New Jersey Economic  
33 Development Authority, and in consultation with the director, shall  
34 be allowed a credit against the tax otherwise due for the taxable  
35 year under the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1  
36 et seq., in an amount equal to 10 percent of the qualified  
37 investment made by the taxpayer in a New Jersey emerging  
38 technology business, up to a maximum allowed credit of \$500,000  
39 for the taxable year for each qualified investment made by the  
40 taxpayer.

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

1 c. A partnership shall not be allowed a credit under this section  
2 directly, but the amount of credit of a taxpayer in respect of a  
3 distributive share of partnership income under the "New Jersey  
4 Gross Income Tax Act," N.J.S.54A:1-1 et seq., shall be determined  
5 by allocating to the taxpayer that proportion of the credit acquired  
6 by the partnership that is equal to the taxpayer's share, whether or  
7 not distributed, of the total distributive income or gain of the  
8 partnership for its taxable year ending within or with the taxpayer's  
9 taxable year. For the purposes of subsection b. of this section, the  
10 amount of tax liability that would be otherwise due of a taxpayer is  
11 that proportion of the total liability of the taxpayer that the  
12 taxpayer's share of the partnership income or gain included in gross  
13 income bears to the total gross income of the taxpayer.

14 d. The Executive Director of the New Jersey Economic  
15 Development Authority, in consultation with the director, shall  
16 adopt rules in accordance with the "Administrative Procedure Act,"  
17 P.L.1968, c.410 (C.52:14B-1 et seq.) as are necessary to implement  
18 sections 1 through 3 of P.L.1997, c.349 (C.54:10A-5.28 through  
19 54:10A-5.30) and section 4 of P.L. , c. (C. ) (pending before  
20 the Legislature as this bill), including but not limited to: examples  
21 of and the determination of qualified investments of which  
22 applicants must provide documentation with their tax credit  
23 application; the promulgation of procedures and forms necessary to  
24 apply for a credit; and provisions for credit applicants to be charged  
25 an initial application fee, and ongoing service fees, to cover the  
26 administrative costs related to the credit.

27 The amount of credits approved by the Executive Director of the  
28 New Jersey Economic Development Authority and the Director of  
29 the Division of Taxation in the Department of the Treasury pursuant  
30 to subsection a. of this section and pursuant to section 3 of  
31 P.L.1997, c.349 (C.54:10A-5.30) shall not exceed a cumulative total  
32 of \$25,000,000 in any calendar year to apply against the tax  
33 imposed pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5), and  
34 the tax imposed pursuant to the "New Jersey Gross Income Tax  
35 Act," N.J.S.54A:1-1 et seq. If the cumulative amount of credits  
36 allowed to taxpayers in a calendar year exceeds the amount of  
37 credits available in that year, then taxpayers who have first applied  
38 for and have not been allowed a credit amount for that reason shall  
39 be allowed, in the order in which they have submitted an  
40 application, the amount of the tax credit on the first day of the next  
41 succeeding calendar year in which tax credits under this section and  
42 section 3 of P.L.1997, c.349 (C.54:10A-5.30) are not in excess of  
43 the amount of credits available.

44 e. As used in this section:

45 "Advanced computing" means a technology used in the  
46 designing and developing of computing hardware and software,  
47 including innovations in designing the full spectrum of hardware



1 from hand-held calculators to super computers, and peripheral  
2 equipment.

3 "Advanced materials" means materials with engineered  
4 properties created through the development of specialized  
5 processing and synthesis technology, including ceramics, high  
6 value-added metals, electronic materials, composites, polymers, and  
7 biomaterials.

8 "Biotechnology" means the continually expanding body of  
9 fundamental knowledge about the functioning of biological systems  
10 from the macro level to the molecular and sub-atomic levels, as  
11 well as novel products, services, technologies and sub-technologies  
12 developed as a result of insights gained from research advances  
13 which add to that body of fundamental knowledge.

14 "Control" with respect to a corporation, means ownership,  
15 directly or indirectly, of stock possessing 80 percent or more of the  
16 total combined voting power of all classes of the stock of the  
17 corporation entitled to vote; and "control," with respect to a trust,  
18 means ownership, directly or indirectly, of 80 percent or more of  
19 the beneficial interest in the principal or income of the trust. The  
20 ownership of stock in a corporation, of a capital or profits interest in  
21 a partnership or association or of a beneficial interest in a trust shall  
22 be determined in accordance with the rules for constructive  
23 ownership of stock provided in subsection (c) of section 267 of the  
24 federal Internal Revenue Code of 1986 (26 U.S.C. s.267), other than  
25 paragraph (3) of subsection (c) of that section.

26 "Controlled group" means one or more chains of corporations  
27 connected through stock ownership with a common parent  
28 corporation if stock possessing at least 80 percent of the voting  
29 power of all classes of stock of each of the corporations is owned  
30 directly or indirectly by one or more of the corporations and the  
31 common parent owns directly stock possessing at least 80 percent of  
32 the voting power of all classes of stock of at least one of the other  
33 corporations.

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

36 "Electronic device technology" means a technology involving  
37 microelectronics, semiconductors, electronic equipment, and  
38 instrumentation, radio frequency, microwave, and millimeter  
39 electronics, and optical and optic-electrical devices, or data and  
40 digital communications and imaging devices.

41 "Information technology" means software publishing, motion  
42 picture and video production, television production and post-  
43 production services, telecommunications, data processing, hosting  
44 and related services, custom computer programming services,  
45 computer system design, computer facilities management services,  
46 other computer related services and computer training.

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2 ophthalmic goods, medical or dental instruments, diagnostic  
3 substances, biopharmaceutical products; or physical and biological  
4 research.

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6 medical equipment or product (other than a pharmaceutical product)  
7 that has therapeutic value, diagnostic value, or both, and is  
8 regulated by the federal Food and Drug Administration.

9 "Mobile communications technology" means a technology  
10 involving the functionality and reliability of transmission of voice  
11 and multimedia data using a communication infrastructure via a  
12 computer or a mobile device, that shall include but shall not be  
13 limited to smartphones, electronic books and tablets, mp3 players,  
14 motor vehicle electronics, home entertainment systems, and other  
15 wireless appliances, without having connected to any physical or  
16 fixed link.

17 "New Jersey emerging technology business" means a company  
18 doing business, employing or owning capital or property, or  
19 maintaining an office, in this State that has qualified research  
20 expenses paid or incurred for research conducted in this State or  
21 conducts pilot scale manufacturing in this State, and has fewer than  
22 225 employees, of whom at least 75 percent are filling a position in  
23 New Jersey.

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

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

38 "Qualified investment" means the non-refundable transfer of  
39 cash to a New Jersey emerging technology business by a taxpayer  
40 that is not a related person of the New Jersey emerging technology  
41 business, the transfer of which is in connection with either (1) a  
42 transaction in exchange for stock, interests in partnerships or joint  
43 ventures, licenses (exclusive or non-exclusive), rights to use  
44 technology, marketing rights, warrants, options or any items similar  
45 to those included herein, including but not limited to options or  
46 rights to acquire any of the items included herein; or (2) a purchase,  
47 production or research agreement.

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

8 "Related person" means:

9 a. a corporation, partnership, association or trust controlled by  
10 the taxpayer;

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

13 c. a corporation, partnership, association or trust controlled by  
14 an individual, corporation, partnership, association or trust that is in  
15 the control of the taxpayer; or

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

17 "Renewable energy technology" means a technology involving  
18 the generation of electricity from solar energy; wind energy; wave  
19 or tidal action; geothermal energy; the combustion of gas from the  
20 anaerobic digestion of food waste and sewage sludge at a biomass  
21 generating facility; and the combustion of methane gas captured  
22 from a landfill; a fuel cell powered by methanol, ethanol, landfill  
23 gas, digester gas, biomass gas, or other renewable fuel but not  
24 powered by a fossil fuel.

25  
26 5. This act shall take effect immediately and section 3 shall  
27 apply to privilege periods beginning on or after January 1, 2011  
28 and section 4 shall apply to taxable years beginning on or after  
29 January 1, 2011.

30  
31  
32 STATEMENT

33  
34 The bill designated the "New Jersey Angel Investor Tax Credit  
35 Act," revives the expired Small New Jersey-based High Technology  
36 Business Investment Tax Credit by establishing credits against  
37 corporation business and gross income taxes for investing in New  
38 Jersey emerging technology businesses. Subject to certain  
39 limitations, the corporation business and gross income tax credits  
40 equal ten percent of a taxpayer's qualified investment in an  
41 emerging technology company with fewer than 225 employees, of  
42 whom at least 75 percent are filling a position in New Jersey.  
43 Purchase, production, and research agreements qualify as creditable  
44 investments. The permanent program is subject to a \$25 million  
45 annual cap. In addition, tax credit recipients cannot claim tax  
46 credits for that part of an investment in a single company that  
47 exceeds \$500,000. If the tax credit amount exceeds a gross income

1 taxpayer's tax liability, the State will issue a refund to the taxpayer  
2 in the amount of the excess; while a corporation business taxpayer  
3 may choose between having the amount of the excess refunded or  
4 carried forward to be applied against tax liabilities in the next 15  
5 years.

6 The legislation recognizes that angel investors can play a vital  
7 part in New Jersey's economic recovery. Angel investments are  
8 equity placements by high net worth individuals into high-risk start-  
9 up ventures. Some angel investors do not just invest in, but also  
10 mentor, coach, and assist promising start-up enterprises. A 2010  
11 working paper by William R. Kerr, Josh Lerner, and Antoinette  
12 Schoar of the Harvard Business School, "The Consequences of  
13 Entrepreneurial Finance: A Regression Discontinuity Analysis,"  
14 shows that start-up firms receiving angel capital have a significantly  
15 higher rate of survival, faster growth, and superior access to  
16 fundraising outside the angel group than early-stage firms devoid of  
17 angel financing. It is therefore in New Jersey's best interest to  
18 encourage angel investors to examine and invest in New Jersey  
19 technology start-up businesses, as successful start-ups create jobs,  
20 generate wealth, and enhance the overall well-being in the State.