

FISCAL NOTE TO
ASSEMBLY COMMITTEE SUBSTITUTE FOR
ASSEMBLY, No. 963

STATE OF NEW JERSEY

DATED: AUGUST 28, 1996

The Assembly Committee Substitute for Assembly Bill No. 963 of 1996 extends the carryforward of the research and development tax credit under the corporation business tax from seven to 15 years for certain advanced technology corporations. The research and development tax credit allows a credit for increases in qualified research expenditures over a base amount and for certain basic research payments incurred in New Jersey beginning in January, 1994. Currently, this credit may be carried forward up to seven years after the tax year in which the eligible expenditures are incurred if the full amount of the credit cannot be used because of tax liability limitations. However, for high-technology businesses in the fields of advanced computing, advanced materials, biotechnology, electronic device technology, environmental technology, and medical device technology this bill extends the carryforward period of the research and development tax credit from seven to 15 years following a credit's tax year.

A fiscal note prepared by the Division of Taxation in the Department of Treasury notes that any annual revenue loss would not begin to occur until the extension of the credit carryforward commences in fiscal year 2005, which would be the first fiscal year following the current, maximum, seven year credit carryforward period. According to the division the revenue loss would gradually increase after this point and reach a plateau of \$1.5 million per year in fiscal year 2012. The division's fiscal note assumes that one-third of the current annual \$30 million revenue loss attributable to the research and development tax credit may be from corporate research and development expenses in the six high-technology fields defined in the bill. Based upon further assumptions made by the division, 15 percent of the attributed \$10 million annual cost, or \$1.5 million in unused credits, will be available each year to be carried forward from the 8th through the 15th year following the credit's tax year. The division also notes that given continuing, annual stable levels of qualified expenditures, the cost of the extended carryforward will be smaller in the fiscal year beginning in the 8th tax year following enactment of this bill and will increase in each fiscal year thereafter through the 15th fiscal year following the first tax year in which the bill is in effect. The Office of Legislative Services (OLS) has no independent data on the

annual cost of the research and development credit, the current carryforward of unused credit amounts or the proportion of the credits earned in the high-technology fields as broadly defined in the bill and thus finds no reason to disagree with the analysis performed by the division.

This fiscal note has been prepared pursuant to P.L.1980, c.67.