

ASSEMBLY, No. 963

STATE OF NEW JERSEY

Introduced Pending Technical Review by Legislative Counsel

PRE-FILED FOR INTRODUCTION IN THE 1996 SESSION

By Assemblymen FELICE and IMPREVEDUTO

1 AN ACT extending the carryforward of the research and development  
2 tax credit for certain taxpayers under the corporation business tax,  
3 supplementing P.L.1993, c.175 (C.54:10A-5.24).

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

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8 1. Notwithstanding the provisions of subsection b. of section 1 of  
9 P.L.1993, c.175 (C.54:10A-5.24) to the contrary, a taxpayer that has  
10 a been allowed a credit pursuant to that section for the fiscal or  
11 calendar accounting period (referred to hereafter as the "tax year") in  
12 which the qualified research expenses or basic research payment has  
13 been incurred in this State in the fields of advanced computing,  
14 advanced materials, biotechnology, electronic device technology,  
15 environmental technology, and medical device technology, shall be  
16 allowed to carry over the amount of the tax year credit which cannot  
17 be applied for the tax year to each of the 15 tax years following the  
18 credit's tax year.

19 As used in this section:

20 "Advanced computing" means technologies used in the designing  
21 and developing of computing hardware and software, including  
22 innovations in designing the full spectrum of hardware from hand-held  
23 calculators to super computers, and peripheral equipment;

24 "Advanced materials" means materials with engineered properties  
25 created through the development of specialized processing and  
26 synthesis technology, including ceramics, high value-added metals,  
27 electronic materials, composites, polymers, and biomaterials;

28 "Biotechnology" means any technique that uses living organisms or  
29 parts of living organisms, to make or modify products, to improve  
30 plants or animals, or to develop micro-organisms for specific uses,  
31 including the industrial use of recombinant DNA, cell fusion and novel  
32 bioprocessing techniques;

33 "Electronic device technology" means technologies involving  
34 microelectronics, semiconductors, electronic equipment, and  
35 instrumentation, radio frequency, microwave, and millimeter

1 electronics, and optical and optic-electrical devices, and data and  
2 digital communications and imaging devices;

3 "Environmental technology" means assessment and prevention of  
4 threats or damage to human health or the environment, environmental  
5 cleanup, and the development of alternative energy sources; and

6 "Medical device technology" means technologies involving any  
7 medical equipment or product (other than a pharmaceutical product)  
8 that has therapeutic value, diagnostic value, or both, and is regulated  
9 by the federal Food and Drug Administration;

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11 2. This act shall take effect immediately and section 1 shall apply  
12 to tax years beginning on or after January 1 next following enactment.

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#### STATEMENT

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17 This bill extends the carryforward of the research and development  
18 tax credit under the corporation business tax from seven to 15 years  
19 for certain advanced technology corporations. The research and  
20 development tax credit allows a credit for increases in qualified  
21 research expenditures over a base amount and for certain basic  
22 research payments incurred in New Jersey beginning in January, 1994.  
23 The credit may be carried forward up to seven years if it cannot be  
24 used because of tax liability limitations. However, high-technology  
25 businesses in the fields of advanced computing, advanced materials,  
26 biotechnology, electronic device technology, environmental  
27 technology, and medical device technology often must invest in years  
28 of research in emerging advanced technologies before reaching a stage  
29 in their business development cycle when they can maintain a taxable  
30 business profit. Extending the carryforward period of the research and  
31 development tax credit for these high-technology firms will increase  
32 the likelihood that the credit will serve as a useful tax incentive to  
33 those corporations whose research efforts may not bear profits under  
34 the corporation business tax for an extended period of time.

35 This bill is a companion bill to Assembly Bill No. , Assembly Bill  
36 No. , and Assembly Bill No. of 1995, which together constitute  
37 the "Hi-Tech, Jobs Creation - Retention Initiative of 1995."

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42 Provides 15 year carryforward of research and development tax credit  
43 under the corporation business tax for certain high-technology  
44 companies.