

FISCAL NOTE TO
ASSEMBLY, No. 1505
STATE OF NEW JERSEY

DATED: AUGUST 28, 1996

Assembly Bill No. 1505 of 1996 provides a credit under the Corporation Business Tax for investment by corporate taxpayers in small New Jersey-based high-technology businesses that conduct research in New Jersey in certain fields of science and technology or that conduct pilot scale manufacturing in New Jersey in order to bring their high-technology innovations into market production.

The tax credit is based upon 10 percent of investments made in each small high-technology business with fewer than 225 employees, 75 percent of whom have jobs in New Jersey. The utilization of the credit is limited to \$1,000,000 per investment, per year, with carryforwards available for unutilized credits. The investment must be a non-refundable investment at risk in the small high-technology business. The small high-technology business must conduct pilot scale manufacturing or qualified research in New Jersey in the fields of advanced computing, advanced materials, biotechnology, electronic device technology, environmental technology, and medical device technology.

A fiscal note prepared by the Division of Taxation in the Department of the Treasury estimates that this bill will result in an annual, continuing loss of general fund revenue of \$6,000,000 per year beginning in fiscal year 1998. The division bases this estimate on a proportion of the total, reported 1993 investment of venture capital in high-technology firms nationwide. The Office of Legislative Services has no data upon which to measure the level of venture capital investment occurring in this State. Also, the broad nature of the definitions of small New Jersey-based high-technology businesses in which a taxpayer may invest under the bill make it difficult to determine what industrial classifications may or may not receive qualified investments. Given the broad definition of qualified small New Jersey-based high technology businesses and uncertainty concerning what investments would not be qualified investments, the loss of revenue may be underestimated. However, while precise data for estimating the losses resulting from this bill are not available, the Office of Legislative Services (OLS) finds no reason to disagree with the analysis performed by the division given the assumptions made.

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