

SENATE NATURAL RESOURCES AND ECONOMIC
DEVELOPMENT COMMITTEE

STATEMENT TO

SENATE, No. 445

STATE OF NEW JERSEY

DATED: MAY 9, 1996

The Senate Natural Resources and Economic Development Committee favorably reports Senate Bill No. 445.

This bill 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. Small high-technology businesses are a vital and growing source of high-wage, high-skilled jobs in this State. The high technology sector is a key component of the State's effort to encourage economic growth and diversification. However, in recent years the sources of funds necessary for the high initial investments necessary in such business enterprises in this State, including the availability of start-up equity financing, have not kept pace with the potential for economic growth in this sector.

Small high-technology businesses incur significant costs associated with research and development and pilot scale manufacturing many years before a marketable product or service can be delivered. The provision of a tax credit to corporate taxpayers for investments made in such enterprises will provide an incentive to invest in these small New Jersey businesses early in their development cycle, when they are turning ideas into marketable products and services. The stimulation of local corporate investment in small, emerging high-technology enterprises in New Jersey will build upon the State's established high-technology base, creating additional research and development jobs and subsequent manufacturing facilities.

The tax credit is based upon 10% of investments made in each small high-technology business with less than 225 employees, 75% 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.