

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### SENATE, No. 445

# STATE OF NEW JERSEY

DATED: JANUARY 14, 1997

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 445 of 1996.

Senate Bill No. 445 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 million 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.

According to the sponsor, 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.

As reported, this bill is identical to Assembly Bill No. 1505 of 1996 (Felice/Cohen).

FISCAL IMPACT

In a fiscal note prepared by the Office of Legislative Services (OLS), the Division of Taxation in the Department of the Treasury estimates that this bill could result in an annual, continuing loss of General Fund revenue of \$6.25 million per year beginning in fiscal year 1998.