

# FISCAL NOTE TO

[First Reprint]

**SENATE, No. 446**

# **STATE OF NEW JERSEY**

DATED: AUGUST 28, 1996

Senate Bill No. 446 (1R) of 1996 requires the New Jersey Economic Development Authority to administer within the New Jersey Emerging Technology and Biotechnology Financial Assistance Program established pursuant to P.L.1995, c.137 (C.34:1B-7.37 et seq.) a corporation business tax benefit certificate transfer program to allow new or expanding emerging technology and biotechnology companies in this State with unused carryforward of research and development tax credits and unused net operating loss deduction carryforward to transfer those tax benefits to other corporation business taxpayers. The transfer of these unused tax benefits will be based upon the tax benefit recipient-corporation providing private financial assistance to the new or expanding emerging technology and biotechnology company under written financial assistance agreements negotiated under the auspices of the authority. The financial assistance to be provided shall be equal to at least 75% of the value of the transferred tax benefit and shall assist in funding expenses incurred in connection with the operation of the new or expanding emerging technology or biotechnology company in this State, including but not limited to the expenses of fixed assets, such as the construction and acquisition and development of real estate, materials, start-up, tenant fit-out, working capital, salaries, research and development expenditures and any other expenses determined by the authority to be necessary to carry out the purposes of the New Jersey Emerging Technology and Biotechnology Financial Assistance Program.

A fiscal note prepared by the Division of Taxation in the Department of Treasury observes that while there are significant carryforwards of net operating loss deductions and of research and development credits, it is not possible to estimate the fiscal impact because the total annual value of the tax benefit certificates will depend upon the Economic Development Authority's (EDA) policies in issuing the certificates. The division also notes that the EDA's policies will affect the number of corporations that are likely to qualify for the certificates. The Office of Legislative Services (OLS) has no independent method by which to ascertain the annual costs of the business tax certificate program and agrees with the division that it is not possible to estimate the fiscal impact.

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