FORM **305**
(07-16, R-05)
2016

NEW JERSEY CORPORATION BUSINESS TAX

MANUFACTURING EQUIPMENT AND EMPLOYMENT INVESTMENT TAX CREDIT

Name as Shown on Return	Federal ID Number	NJ Corporation Number

READ THE INSTRUCTIONS BEFORE COMPLETING THIS FORM

PART I CREDIT CALCULATION FOR INVESTMENT IN QUALIFIED EQUIPMENT IN NEW JERSEY IN THE *CURRENT YEAR*

1. Enter the cost of qualified equipment placed in service in N.J. during the current year	1.	
2. Enter 2% (.02) or 4% (.04) of line 1, whichever applies	2.	
3. Enter the lesser of line 2 or $1,000,000	3.	

IF YOU HAVE PRIOR YEARS MANUFACTURING EQUIPMENT INVESTMENTS COMBINED WITH INCREASED EMPLOYMENT, COMPLETE PARTS II AND/OR III; OTHERWISE GO TO PART IV.

PART II EMPLOYMENT INVESTMENT TAX CREDIT CALCULATION FOR INVESTMENT IN QUALIFIED EQUIPMENT IN NEW JERSEY MADE *1 YEAR PRIOR* TO THE CURRENT TAX YEAR

4. Average number of N.J. employees in the current year (Measurement Year)	4.	
5. Average number of N.J. employees in the tax year prior to the year that qualified equipment was placed in service in N.J. (Base Year)	5.	
6. Subtract line 5 from line 4 (if zero or less, enter zero on line 10)	6.	
7. Multiply line 6 by $1000	7.	
8. Enter the cost of qualified equipment placed in service in N.J. **one year prior** to the current tax year (from line 1, Form 305 of prior year)	8.	
9. Enter 3% (.03) of line 8	9.	
10. Enter the lesser of line 7 or line 9	10.	

PART III EMPLOYMENT INVESTMENT TAX CREDIT CALCULATION FOR INVESTMENT IN QUALIFIED EQUIPMENT IN NEW JERSEY MADE *2 YEARS PRIOR* TO THE CURRENT TAX YEAR

11. Average number of N.J. employees in the prior tax year (Measurement Year)	11.	
12. Average number of N.J. employees in the tax year prior to the year that qualified equipment was placed in service in N.J. (Base Year)	12.	
13. Subtract line 12 from line 11 (if zero or less, enter zero on line 17)	13.	
14. Multiply line 13 by $1000	14.	
15. Enter the cost of qualified equipment placed in service in N.J. **two years prior** to the current tax year (from line 1, Form 305, 2 years prior)	15.	
16. Enter 3% (.03) of line 15	16.	
17. Enter the lesser of line 14 or line 16	17.	

PART IV COMBINED CREDIT CALCULATION - CURRENT YEAR

18. Enter the total of the amounts on lines 3, 10 and 17	18.	
19. Enter carryover from Part VI, line 4, column (H) from prior year	19.	
20. Total Credit Available - Enter the total of line 18 plus line 19	20.	

PART V CALCULATION OF THE ALLOWABLE CREDIT AMOUNT

21. Enter tax liability from page 1, line 9 of CBT-100 or BFC-1 or line 4 of CBT-100S	21.	
22. Enter the required minimum tax liability as indicated in instruction (b) for Part V	22.	
23. Subtract line 22 from line 21	23.	
24. Enter 50% of the tax liability reported on line 21	24.	
25. Enter the lesser of line 23 or line 24	25.	
26. Tax Credits taken on current year's return: a)______________________________ ______________________________ b)______________________________ ______________________________ c)______________________________ ______________________________ d)______________________________ ______________________________ TOTAL	26.	
27. Subtract line 26 from line 25. If the result is less than zero, enter zero	27.	
28. Allowable credit for the current tax period - Enter the lesser of line 20 or line 27 here and on Schedule A-3 of the CBT-100, the CBT-100S or the BFC-1	28.	

PART VI MANUFACTURING EQUIPMENT AND EMPLOYMENT INVESTMENT TAX CREDIT CARRYOVER

Complete this schedule if the allowable tax credit is less than the total credit available for the current year or if a tax credit was carried forward from a previous tax year. Read the instructions for Part VI before completing this schedule.

	A 2009	B 2010	C 2011	D 2012	E 2013	F 2014	G 2015	H 2016
1. Enter the tax credit calculated for each tax year *								
2. Enter the amount used in tax year:								
a) 2009								
b) 2010								
c) 2011								
d) 2012								
e) 2013								
f) 2014								
g) 2015								
h) 2016								
3. Carryover amount - Line 1 minus Lines 2(a) through 2(h)								

4. Total tax credit carryover, total of line 3, columns A through H . . . .

* Exclude the amount of any tax credit carried over from a prior tax year.

Instructions for Form 305
Manufacturing Equipment and Employment
Investment Tax Credit

The purpose of the Manufacturing Equipment and Employment Investment Tax Credit is to encourage investment in certain manufacturing equipment in New Jersey and to provide the taxpayer with incentive to increase employment at New Jersey locations by employing New Jersey residents.

A taxpayer must invest in qualified manufacturing equipment in its tax year beginning on or after January 1, 1994 in order to qualify for this tax credit. Such investment has the benefit of allowing a tax credit computation for the tax year in which the investment was made as well as each of the following two tax years. The tax credit computation for the first year is based on the cost of the qualified manufacturing equipment placed in service in New Jersey during that tax year. This portion of the credit is calculated in Part I. The computations for the two following tax years are based on the average increase in New Jersey residents employed in New Jersey subject to a limitation based on the cost of the investment made in the first year. The portion of the tax credit for the two tax years following the year of investment are calculated in Parts II and III of this schedule. The credit allowable for any given year cannot exceed an amount which would reduce the total tax liability below the statutory minimum.

Parts I, II and III of this schedule relate to qualified investments made during three different tax years. Although it is possible after the initial investment year that more than one part can be completed, at no time should more than one part be completed with respect to the same investment. Refer to the example on Page 2.

MANUFACTURING EQUIPMENT TAX CREDIT

The **Manufacturing Equipment** portion is limited to 2% of the investment credit base of qualified equipment placed in service in the tax year, up to a maximum credit for the tax year of $1,000,000, provided however, with respect to qualified equipment placed in service during privilege periods beginning on and after July 1, 2004, if a taxpayer has 50 or fewer employees (an average number of full-time employees and full-time employee equivalents of 50 or less) and entire net income to be used a measure of the tax determined pursuant to section 6 of P.L. 1945, c.162 (C.54:10A-6) of less than $5,000,000 for the tax year, the taxpayer shall be allowed a credit in an amount equal to 4% of the investment credit base of qualified equipment placed in service in the tax year, up to a maximum allowed credit for the tax year of $1,000,000.

QUALIFIED EQUIPMENT

Qualified equipment means machinery, apparatus or equipment acquired by purchase or lease for use or consumption by the taxpayer directly and primarily in the production of tangible personal property by manufacturing, processing, assembling or refining, as defined in N.J.S.A. 54:32B-8.13(a), having a useful life of four or more years, and placed in service in New Jersey and machinery, apparatus or equipment acquired by purchase for use or consumption directly and primarily in the generation of electricity as defined pursuant to subsection b. of section 25 of P.L. 1980,c.105 (C.54:32B-8.13) to the point of connection to the grid, or in the generation of thermal energy, having a useful life of four or more years, placed in service in this State.

Qualified equipment also includes property that a company may transfer from an out of state facility to a location within New Jersey. If a corporation moves equipment that otherwise would qualify for the credit from a location outside the state to a location within the state of New Jersey, such equipment would be eligible for the credit.

For purposes of the credit, property shall be considered placed in service or use in New Jersey in the earlier of the following tax years:

1. The tax year in which, under the taxpayer's depreciation practice, the period for depreciation with respect to such property begins. For transferred equipment depreciation would continue which started when the property was originally placed in service outside the state. The equipment is **not** disqualified from the credit because depreciation did not start in New Jersey, or
2. The taxable year in which the property is placed in a condition or state of readiness and availability for a specifically assigned function.

Machinery, apparatus or equipment is directly used in production only when used to initiate, sustain, or terminate the transformation of raw materials into finished products. Property leased or licensed by the lessee to another taxpayer is not qualified equipment.

NON-QUALIFYING EQUIPMENT

Examples of qualified equipment **may not** include:

1. Motor vehicles or other off premise transportation equipment;
2. Airplanes;
3. Property located or primarily used outside of New Jersey;
4. Equipment or parts with a useful life of less than four (4) years;
5. Tangible personal property which the taxpayer contracts or agrees to lease or rent to another person or licenses another person to use;
6. Property or equipment purchased from related persons or affiliated entities (unless expressly waived by the Director, Division of Taxation);
7. Property acquired incident to the purchase of stock or assets of another entity which has already been used by that entity for manufacturing or processing in New Jersey;
8. Equipment for which either a New Jobs Investment Tax Credit or a Research and Development Tax Credit has been claimed;
9. Any tangible personal property placed in service prior to the start of the tax year commencing in calendar year 1994;
10. Property not directly attributable to manufacturing, processing or refining.
11. Property not directly attributable to the generation of electricity or thermal energy.

INVESTMENT CREDIT BASE
(Net Cost of Qualified Equipment)

Net Cost is the net monetary consideration provided for acquisition of title and/or ownership to the subject property. The cost of qualified equipment **shall not** include the value of equipment given in trade or exchange for the equipment purchased for business relocation or expansion.

If equipment is damaged or destroyed by fire, flood, storm or other casualty, or is stolen, the cost of replacement equipment **shall not** include any insurance proceeds received in compensation for the loss. In the case of self-constructed equipment, the cost thereof shall be the amount properly charged to the capital account for depreciation in accordance with Federal income tax law.

The cost of leased equipment to the lessee is the minimum amount required by the lease agreement to be paid over the term of the lease, excluding amounts to be paid after the expiration of the useful life of the equipment. Lease renewals, subleases or assignments shall not be considered.

EMPLOYMENT INVESTMENT TAX CREDIT

The **Employment Investment** portion is valid for each of the two tax years next succeeding the tax year for which the Manufacturing Equipment credit is allowed, but is limited to 3% of the investment credit base, not to exceed a maximum allowed amount for each of the two tax years of $1,000 multiplied by the increase in the average number of qualified employees.

EMPLOYEES AND EMPLOYEE EQUIVALENTS

Full-time employee means a New Jersey domiciled resident working for the taxpayer for at least 140 hours per month at a wage not less than the State or Federal minimum wage. In calculating the average, part-time employee hours may be aggregated to determine **full-time equivalents** (140 hours equals one full-time employee equivalent) provided the part-time employee has worked for the taxpayer for at least 20 hours per week for at least six months during the tax year, as defined in N.J.S.A. 54:10A-5.17

The calculations in Parts II and III of Form 305 are based on the increase in the average number of full-time employees and employee equivalents residing and domiciled in New Jersey employed at work locations in New Jersey from the employment base year to the employment measurement year.

Base Year - the tax year **immediately preceding** the year in which the qualified investment was made.

Measurement Year - the tax year **immediately following** the year in which the qualified investment was made.

EXAMPLE:

2011	2012	2013	2014
• Average of 125 employees and equivalents • Not an eligible year for credit	• Average of 140 employees and equivalents • Investment of $3,000,000 • Complete Part I for $3,000,000 investment made in 2012 • Part II not applicable • Part III not applicable	• Average of 150 employees and equivalents • Investment of $2,000,000 • Complete Part I for $2,000,000 investment made in 2013 • Complete Part II for increase in employment due to 2012 investment • Average employee increase of 25 pertaining to 2012 investment* • Part III not applicable	• Average of 160 employees and equivalents • No new investment • Part I not applicable • Complete Part II for increase in employment due to 2013 investment • Average employee increase of 20 pertaining to 2013 investment** • Complete Part III for increase in employment due to 2012 investment • Average employee increase of 25 pertaining to 2012 investment*

* For 2013 Part II and 2008 Part III the Base Year is 2011 (the year preceding the 2012 investment) and the Measurement Year is 2013 (the year following the 2012 investment).

** For 2014 Part II the Base Year is 2012 (the year preceding the 2013 investment).

CREDIT CARRYOVER

The amount of credit that cannot be applied for the tax year due to the applicable limitations may be carried over to the seven tax years following a credit's tax year. Note, however, that a taxpayer may not carry over any amount of unused credit to a tax year during which a corporate acquisition, with respect to which a taxpayer was a target corporation, occurred or during which the taxpayer was a party to a merger or a consolidation. Complete Part VI to compute the carryover amount.

RECORD KEEPING

A taxpayer that claims credit under this act shall maintain sufficient records to establish the following facts for each item of qualified equipment:

(1) its identity;

(2) its actual or reasonably determined cost;

(3) its useful depreciation life;

(4) the month and tax year in which it was placed in service;

(5) the amount of credit taken; and

(6) the date it was disposed of or otherwise ceased to be qualified equipment.

CREDIT RECAPTURE

Credit attributable to property that is disposed of or ceases to be qualified equipment prior to the end of its categorized useful life shall be calculated based on the following ratios:

3-YEAR PROPERTY	ALL OTHER PROPERTY
Number of months of qualified use 36	Number of months of qualified use 60

Additionally, except when the property is damaged or destroyed by fire, flood, storm or other casualty, or is stolen, the taxpayer shall redetermine the amount of credit allowed for the tax year of the credit by reducing the investment credit base by the cost of the amount of the disposed or disqualified equipment. If the redetermination of the credit results in an increase in tax liability for any period in which the credit was applied, then the amount of unpaid liability shall be considered a deficiency. The taxpayer would then be required to file an amended return.

Specific Instructions for Form 305

COMPUTATION OF CREDIT

PART I

Credit Calculation for Investment in Qualified Equipment in New Jersey in the *Current Year*

The tax credit computed in this section applies to purchases of qualified manufacturing equipment made during the current tax year.

Line 2 - Refer to the Manufacturing Equipment Tax Credit Instruction on page 1 for information regarding the use of 2% or 4%.

PART II

Employment Investment Tax Credit Calculation for Investment in Qualified Equipment in New Jersey made *1 Year Prior* **to the Current Tax Year**

The tax credit computed in this section is based on the average increase in New Jersey residents employed by the taxpayer at New Jersey locations subject to a limitation of 3% of the cost of the qualified manufacturing equipment purchased in the prior tax year.

Line 4 - Enter the average number of full-time New Jersey residents employed in the current year.

Line 5 - Enter the average number of full-time New Jersey residents employed in the tax year prior to the year that qualified equipment was placed in service in New Jersey (two years prior to the current tax year).

PART III

Employment Investment Tax Credit Calculation for Investment in Qualified Equipment in New Jersey made *2 Years Prior* **to the Current Tax Year.**

The tax credit computed in this section is based on the average increase in New Jersey residents employed by the taxpayer at New Jersey locations subject to a limitation of 3% of the cost of the qualified manufacturing equipment purchased two years prior to the current tax year.

Line 11 - Enter the average number of full-time New Jersey residents employed in the prior tax year.

Line 12 - Enter the average number of full-time New Jersey residents employed in the tax year prior to the year that qualified equipment was placed in service in New Jersey (three years prior to the current tax year).

Line 13 - Subtract line 12 from line 11 (if zero or less, enter zero on line 17). The number of employees on line 13 should be equal to the number of employees reported on line 6, Part II of the prior year.

Line 24 - payers claiming multiple credits must list any credits already applied to the tax liability to ensure accuracy of the calculation for maximum credit allowable.

PART V

Calculation of the Allowable Credit Amount

a) The total and allowable Manufacturing Equipment and Employment Investment Tax Credit for the current year is calculated in PART V. The amount of the credits applied under this section shall not exceed 50% of the tax liability otherwise due and shall not reduce the tax liability to an amount less than the statutory minimum.

b) The minimum tax is assessed based on the New Jersey Gross Receipts as follows:

New Jersey Gross Receipts	CBT-100	CBT-100S
Less than $100,000	$500.00	$375.00
$100,000 or more but less than $250,000	$750.00	$562.00
$250,000 or more but less than $500,000	$1,000.00	$750.00
$500,000 or more but less than $1,000,000	$1,500.00	$1,125.00
$1,000,000 or more	$2,000.00	$1,500.00

provided however that for a taxpayer that is a member of an affiliated or controlled group which has a total payroll of $5,000,000 or more for the return period, the minimum tax shall be $2,000. Tax periods of less than 12 months are subject to the higher minimum tax if the prorated total payroll exceeds $416,667 per month.

PART VI

Manufacturing Equipment and Employment Investment Tax Credit Carryover

Complete this schedule if the allowable tax credit is less than the total credit available for the current year or if a tax credit has been carried forward from a previous tax year.

Line 1 - Enter the tax credit calculated for each applicable tax year excluding the amount of any credit carried over from a prior tax year. This is the amount from Part IV, line 18 of the manufacturing equipment and employment investment tax credit form filed for the applicable tax year.

Line 2(a) - (h) - Enter the allowable tax credit amount from Part V, line 28 of the manufacturing equipment and employment investment tax credit form filed for the applicable tax year. Apply the allowable credit amount for each year to the earliest calculation year until line 3 for that particular column equals zero. This credit can only be carried forward for seven years at which time any remaining amount is forfeited.

Line 3 - Subtract the amount(s) reported on lines 2(a) through 2(h) from the amount reported on line 1 for the appropriate tax year listed in columns A through H. The amount calculated on line 4 represents the total tax credit carryover to be reported on line 19, Part IV of next year's form