

**FORM 305  
2023**

**New Jersey Corporation Business Tax  
Manufacturing Equipment and Employment  
Investment Tax Credit**

Name as Shown on Return	Federal ID Number	Unitary ID Number, if applicable <b>NU</b>
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**Read the instructions before completing this form.**

**Combined Return Filers**

The taxpayer is included as a taxable member on a New Jersey combined return. See instructions.  
Fill in oval if member is **not** sharing its credit with other members of the group.

**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 ONE 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 \$1,000 .....	7.	
8. Enter the cost of qualified equipment placed in service in N.J. <b>one year prior</b> to the current tax year (from line 1, Form 305 of prior year).....	8.	
9. Enter 3% 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 TWO 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 \$1,000 .....	14.	
15. Enter the cost of qualified equipment placed in service in N.J. <b>two years prior</b> to the current tax year (from line 1, Form 305, 2 years prior)	15.	
16. Enter 3% of line 15 .....	16.	
17. Enter the lesser of line 14 or line 16 .....	17.	

**Part IV Calculation of the Available Credit**

18. Enter the total of the amounts on lines 3, 10, and 17 .....	18.	
19. Manufacturing Equipment and Employment Investment Tax Credit carried over from prior year.....	19.	
20. Total credit available. Add line 18 and line 19.....	20.	



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**Part VI Calculation of Allowable Credit Amount and Carryover – Combined Return Filers ONLY**

**Section A – ALL Combined Return Filers**

30. Enter the group tax liability from Schedule A, Section II, Part III, line 4a, column (c) of CBT-100U.....	30.	
31. Enter the aggregate minimum tax of combined group members (see instructions).....	31.	
32. Subtract line 31 from line 30.....	32.	
33. Enter 50% of the tax liability reported on line 30.....	33.	
34. Enter the lesser of line 32 or line 33.....	34.	
35. Other tax credits used by combined group on current year's return (see instructions): (a) _____ (b) _____ (c) _____ (d) _____ Total	35.	
36. Subtract line 35 from line 34. If zero or less, enter zero.....	36.	
37. Allowable credit for the current tax period. Enter the lesser of line 20 or line 36. <b>If sharing</b> , also enter in the member's column of Schedule A-3, Part I of the CBT-100U.....	37.	
<b>If SHARING credit, complete line 38.</b> <b>If NOT sharing credit, skip line 38 and complete Section B.</b>		
38. Amount of credit carryover to following year's return (subtract line 37 from line 20).....	38.	

**Section B – Combined Return Filers NOT Sharing Credit**

39. a) Enter combined group tax liability from line 30.....	39a.	
b) Divide line 39a by the combined group allocation factor from Schedule J, line 9.....	39b.	
c) Member's share of combined group tax liability – Multiply line 39b by member's allocation factor from Schedule J, line 9.....	39c.	
40. Required minimum tax liability.....	40.	2,000
41. Subtract line 40 from line 39c.....	41.	
42. Enter 50% of the tax liability reported on line 39c.....	42.	
43. Enter the lesser of line 41 or line 42.....	43.	
44. Other tax credits used by taxpayer on current year's return (see instructions): (a) _____ (b) _____ (c) _____ (d) _____ Total	44.	
45. Subtract line 44 from line 43. If zero or less, enter zero.....	45.	
46. Allowable credit for the current tax period. Enter the lesser of line 37 or line 45 here and in the member's column of Schedule A-3, Part I of the CBT-100U.....	46.	
47. Amount of credit carryover to following year's return (subtract line 46 from line 20).....	47.	

# Instructions for Form 305

## Manufacturing Equipment and Employment Investment Tax Credit

### Purpose

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, 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 50% of the tax liability otherwise due and cannot 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.

Parts V and VI are used to calculate the allowable credit and carry-over. Taxpayers filing Forms CBT-100 or CBT-100S complete Part V and CBT-100U filers complete Part VI.

**FYI** Taxpayers must include the appropriate credit form in the year the credit was earned even if they are not claiming the credit on their tax return.

### 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 that 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 tax 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.

### Nonqualifying 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 New Jersey;
4. Equipment or parts with a useful life of less than four years;
5. Tangible personal property that 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 that 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 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.

**Example:**

2020	2021	2022	2023
<ul style="list-style-type: none"> <li>Average of 125 employees and equivalents</li> <li>Not an eligible year for credit</li> </ul>	<ul style="list-style-type: none"> <li>Average of 140 employees and equivalents</li> <li>Investment of \$3,000,000</li> <li>Complete Part I for \$3,000,000 investment made in 2021</li> <li>Part II not applicable</li> <li>Part III not applicable</li> </ul>	<ul style="list-style-type: none"> <li>Average of 150 employees and equivalents</li> <li>Investment of \$2,000,000</li> <li>Complete Part I for \$2,000,000 investment made in 2022</li> <li>Complete Part II for increase in employment due to 2021 investment</li> <li>Average employee increase of 25 pertaining to 2021 investment*</li> <li>Part III not applicable</li> </ul>	<ul style="list-style-type: none"> <li>Average of 160 employees and equivalents</li> <li>No new investment</li> <li>Part I not applicable</li> <li>Complete Part II for increase in employment due to 2022 investment</li> <li>Average employee increase of 20 pertaining to 2022 investment**</li> <li>Complete Part III for increase in employment due to 2021 investment</li> <li>Average employee increase of 25 pertaining to 2021 investment*</li> </ul>
<p>* For 2022 Part II and 2023 Part III the Base Year is 2020 (the year preceding the 2021 investment) and the Measurement Year is 2022 (the year following the 2021 investment).</p> <p>** For 2023 Part II the Base Year is 2021 (the year preceding the 2022 investment).</p>			

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

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

### 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.

### 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

## Combined Return Filers

If filing a combined return, this form must be completed by the member that earned the credit. All combined return filers must check the combined return filers box at the top of the form and complete Part VI, Section A.

**Members Opting Not to Share.** In general, tax credits are earned by a member of the combined group and are shareable with the combined group. However, members are not required to share their credits. See N.J.S.A. 54:10A-4.6.i and TB-90(R), *Tax Credits and Combined Returns*. In addition to Section A, members that choose not to share must also complete Part VI, Section B and fill in the oval at the top of the form to indicate they are not sharing the credit.

## Calculation 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.

### Part V – Calculation of the Allowable Credit Amount and Carryover (for CBT-100 and CBT-100S Filers only)

For CBT-100 and CBT-100S-filers, the allowable Manufacturing Equipment and Employment Investment Tax Credit for the current year is calculated in Part V. Combined return filers do **not** complete Part V, and

must complete Part VI instead. The amount of the credits applied cannot exceed 50% of the tax liability otherwise due and cannot reduce the tax liability to an amount less than the statutory minimum.

**Line 22** – 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	\$ 375
\$100,000 or more but less than \$250,000	750	562
\$250,000 or more but less than \$500,000	1,000	750
\$500,000 or more but less than \$1,000,000	1,500	1,000
\$1,000,000 or more	2,000	1,500

If a taxpayer is filing a separate return and is a member of an affiliated or controlled group that has a total payroll of \$5,000,000 or more for the return period, the minimum tax is \$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.

**Line 26** – Taxpayers claiming multiple credits must list any credits already applied to the tax liability to ensure accuracy of the calculation for maximum credit allowable.

### Part VI – Calculation of the Allowable Credit Amount and Carryover for Combined Return Filers

For CBT-100U filers, the total and allowable Manufacturing Equipment and Employment Investment Tax Credit for the current year is calculated in Part VI. All combined return filers must complete Section A. Members that choose not to share their credit must also complete section B.

#### Section A – To be completed by ALL combined return filers

This section calculates the amount of credit allowable for the group. If a member chooses not to share their credit with the group, Section A must still be completed to ensure the credit allowed for the member does not exceed the amount that would otherwise be allowed against the group tax liability.

The amount of the credit calculated in this section cannot exceed 50% of the group tax liability otherwise due and cannot reduce the tax liability to an amount less than the aggregate statutory minimum tax of the group members.

**Line 31** – Multiply the number of taxable group members by \$2,000 and enter the result.

**Line 35** – Combined groups claiming multiple credits must list any credits already applied to the group tax liability to ensure accuracy of the calculation for maximum credit allowable.

#### Section B

This section is used to calculate the amount of credit allowable for members that choose **not** to share their credit with the group. Section B is completed based on the member's share of the group tax liability. The amount of the credit calculated in this section cannot exceed 50% of the member's tax liability otherwise due and cannot reduce the tax liability to an amount less than \$2,000. The amount of the credit is also limited to the amount that would otherwise be allowed against the group tax liability if the member had been sharing the credit.

**Line 44** – Members claiming multiple credits must list any credits already applied to the member's tax liability to ensure accuracy of the calculation for maximum credit allowable.