

Instructions for Form 308

Small New Jersey-Based High-Technology Business Investment Tax Credit

NOTE: The legislation governing this tax credit expired for privilege periods beginning on and after July 1, 2001.

The purpose of the Small New Jersey-Based High-Technology Business Investment Tax Credit Act is to encourage corporate taxpayers to invest in small New Jersey-based high-technology businesses thereby providing them with the needed funds for research and development and pilot scale manufacturing required to develop marketable products and services. If the taxpayer claims this credit on Form CBT-100, Form CBT-100S or Form BFC-1, a completed form 308 must be attached to the return to validate the claim.

A taxpayer shall be allowed a credit against the tax imposed pursuant to Section 5 of P.L. 1945, C. 162 (C. 54:10A-5) in an amount equal to 10% of the qualified investment made by the taxpayer during each of the three years beginning on or after January 1, 1999, in a small New Jersey-based high-technology business, up to a maximum allowed credit of \$500,000 for the tax year for each qualified investment made by the taxpayer. A small New Jersey-based high-technology business means a corporation doing business, employing or owning capital or property, or maintaining an office, in this State that has qualified research expenses paid or incurred for research conducted in this State or conducts pilot scale manufacturing in this State, and has fewer than 225 employees, of whom 75% are New Jersey-based employees filling a position or job in this State.

The credit allowable for any given tax year is limited to 50% of the taxpayer's total tax liability, not to exceed an amount which would reduce the total tax liability below the statutory minimum. A research and development tax credit shall not be allowed for expenses paid from funds for which a small New Jersey-based high-technology tax credit is allowed, or which are includable in the calculation of the allowed amount of this tax credit. Any unused credit may be carried over for fifteen years following a credit's tax year. However, 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.

DEFINITIONS

Advanced computing means a technology used in the designing and developing of computing hardware and software, including innovations in designing the full spectrum of hardware from hand-held calculators to super computers, and peripheral equipment.

Advanced materials means materials with engineered properties created through the development of specialized processing and synthesis technology, including ceramics, high value-added metals, electronic materials, composites, polymers, and biomaterials.

Biotechnology means the continually expanding body of fundamental knowledge about the functioning of biological systems from the macro level to the molecular and subatomic levels, as well as novel products, services, technologies and sub-technologies developed as a result of insights gained from research advances which add to that body of fundamental knowledge.

Electronic device technology means a technology involving microelectronics, semiconductors, electronic equipment, and instrumentation, radio frequency, microwave, and millimeter electronics, and optical and optic-electrical devices, or data and digital communications and imaging devices.

Environmental technology means assessment and prevention of threats or damage to human health or the environment, environmental cleanup, or the development of alternative energy sources.

Medical devices technology means a technology involving any medical equipment or product (other than a pharmaceutical product).

Pilot scale manufacturing means design, construction, and testing of preproduction prototypes and models in the fields of advanced computing, advanced materials, biotechnology, electronic device technology, environmental technology, and medical device technology, other than for commercial sale, excluding sales of prototypes or sales for market testing if total gross receipts, as calculated pursuant to section 6 of P.L. 1945, C. 162 (C. 54:10A-6), from such sales of the product, service or process do not exceed \$1,000,000.

Small New Jersey-based high-technology business means a corporation doing business, employing or owning capital or property, or maintaining an office, in this State that has qualified research expenses paid or incurred for research conducted in this State or conducts pilot scale manufacturing in this State, and has fewer than 225 employees, of whom 75% are New Jersey-based employees filling a position or job in this State.

Qualified investment means the non-refundable investment, at risk in a small New Jersey-based high-technology business, of cash that is transferred to the small New Jersey-based high-technology business by a taxpayer that is not a related person of the small New Jersey-based high-technology business, the transfer of which is in connection with a transaction in exchange for stock, interests in partnerships or joint ventures, licenses (exclusive or non-exclusive), rights to use technology, marketing rights, warrants, options or any items similar to those listed in these definitions, including but not limited to options or rights to acquire any of the items listed in these definitions.

Qualified research expenses means qualified research expenses as defined in section 41 of the Federal Internal Revenue Code of 1986, 26 U.S.C. §41, as in effect on June 30, 1992, in the fields of advanced computing, advanced materials, biotechnology, electronic device technology, environmental technology, or medical device technology.

SPECIFIC INSTRUCTIONS FOR FORM 308

PART I

CREDIT CALCULATION FOR QUALIFIED INVESTMENTS

The tax credit is computed in this section and is based on an amount equal to 10% of the qualified investment made by the taxpayer during the current tax period in a small New Jersey-based high-technology business up to a maximum allowed credit of \$500,000 for the tax year for each qualified investment made by the taxpayer. The total credit available is reported on line 6.

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.

- c) The priorities set forth in this Corporation Business Tax form follow Regulation N.J.A.C. 18:7-3.17.

PART II

CALCULATION OF THE ALLOWABLE CREDIT AMOUNT

- a) The allowable Small New Jersey-Based High-Technology Business Investment Tax Credit for the current period is calculated in Part II. The amount of this credit, in addition to the amount of any other tax credits taken, is limited to 50% of the taxpayer's total tax liability and cannot exceed an amount which would reduce the total tax liability below the statutory minimum.
- b) The minimum tax is assessed based on the New Jersey Gross Receipts as follows:

PART III

SMALL NEW JERSEY-BASED HIGH-TECHNOLOGY BUSINESS INVESTMENT TAX CREDIT CARRYOVER

Unused tax credits may be carried forward for fifteen years following a credit's tax year. However, 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. The amount of the carryover is calculated in Part III.

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