

NEW JERSEY CORPORATION BUSINESS TAX
RESEARCH AND DEVELOPMENT TAX CREDIT

For tax years beginning on or after January 1, 2018.

The previous version of this schedule is available on the Division of Taxation's website (www.njtaxation.org)

**Do not recompute tax credits for tax years beginning before
January 1, 2018, on this form.**

Name as Shown on Return	Federal ID Number
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READ THE INSTRUCTIONS BEFORE COMPLETING THIS FORM

NOTE: Property and expenditures included in the calculation of the Research and Development Tax Credit are not permitted to be included in the calculation of the Recycling Equipment Tax Credit, the Manufacturing Equipment and Employment Investment Tax Credit or the New Jobs Investment Tax Credit.

ATTACH COPY OF FEDERAL FORM 6765 AS FILED WITH THE IRS

PART I CREDIT CALCULATION FOR AMOUNTS PAID OR INCURRED TO ENERGY CONSORTIA	
1. Enter certain amounts paid or incurred to energy consortia.....	1.

PART II CREDIT CALCULATION FOR BASIC RESEARCH PAYMENTS	
2. Enter the basic research payments paid or incurred to qualified organizations	2.
3. Enter the base period amount	3.
4. Subtract line 3 from line 2. If zero or less, enter zero	4.

For New Jersey purposes, you must use the same method that you used to calculate qualified research expense portion of your federal credit.

1. Did you calculate the qualified research expense portion of your federal credit using the regular credit method?

- Yes. Complete Part III.
- No. Continue to question 2.

2. Did you use the alternative simplified credit method to calculate your credit for federal purposes?

- Yes. Complete Part IV. (do not make any entries in Part III)
- No. You must have used one of the two federal calculation methods in order to complete this form.

PART III CREDIT CALCULATION FOR QUALIFIED RESEARCH EXPENSES	
5. Wages for qualified services (do not include wages used to compute the Federal Jobs Credit)	5.
6. Cost of supplies	6.
7. Rental or lease costs of computers	7.
8. Enter the applicable percentage of contract research expenses (see instructions)	8.
9. Total qualified research expenses – add lines 5 through 8.....	9.
10. Enter fixed-based percentage, but not more than 16%	10.
11. Enter average annual gross receipts.....	11.
12. Base amount – multiply line 11 by line 10	12.
13. Subtract line 12 from line 9.....	13.
14. Enter 50% of line 9	14.
15. Enter the lesser of line 13 or 14. (Skip Part IV and continue with Part V).....	15.

PART IV CREDIT CALCULATION FOR QUALIFIED RESEARCH EXPENSES (ALTERNATIVE SIMPLIFIED CREDIT METHOD)	
16. Wages for qualified services (do not include wages used to compute the Federal Jobs Credit)	16.
17. Cost of supplies	17.
18. Rental or lease costs of computers	18.
19. Enter the applicable percentage of contract research expenses (see instructions)	19.
20. Total qualified research expenses. Add lines 16 through 19	20.
21. Enter your total qualified research expenses for the prior 3 tax years. If you had no qualified research expenses in any one of those years, skip lines 22 and 23 and enter the amount from line 20 onto line 24	21.
22. Divide line 21 by 6.0	22.
23. Subtract line 22 from line 20. If zero or less, enter zero. Include here and on line 24	23.
24. Enter amount from line 23 or if you skipped lines 22 and 23, enter amount from line 20	24.

PART V TOTAL RESEARCH AND DEVELOPMENT TAX CREDIT

25a. Enter the amount from Part I, line 1.....	25a.	
25b. Enter the amount from Part II, line 4.....	25b.	
25c. Total – Add lines 25a and 25b	25c.	
26. Enter either Part III, line 15 or Part IV, line 24 (whichever method was used for federal purposes).....	26.	
27. Add lines 25c and 26	27.	
28. Multiply line 27 by 10%.....	28.	
29. Research and Development Tax Credit carried forward from a prior tax year (do not recompute)....	29.	
30. Total Research and Development Tax Credit Available – add line 28 and line 29.....	30.	

PART VI CALCULATION OF THE ALLOWABLE CREDIT AMOUNT

31. Enter tax liability from page 1, line 9 of CBT-100 or BFC-1 or line 4 of CBT-100S	31.	
32. Enter the required minimum tax liability as indicated in instruction (b) for Part III.....	32.	
33. Subtract line 32 from line 31.....	33.	
34. Tax Credits taken on current year's return: a) _____ b) _____ c) _____ d) _____ Total.....	34.	
35. Subtract line 34 from line 33. If zero or less, enter zero.....	35.	
36. Allowable credit for the current tax year – Enter the lesser of line 30 or line 35 here and on Schedule A-3 of the CBT-100, the CBT-100S or the BFC-1.....	36.	

PART VII CALCULATION OF RESEARCH AND DEVELOPMENT TAX CREDIT CARRYOVER

NOTE: Generally, this credit may be carried over for seven (7) years following the credit's tax year, however, certain types of research qualify for a fifteen (15) year carryover. See instructions for Part VII.

37. Enter amount from line 30	37.	
38. Enter amount from line 36	38.	
39. Research and Development Tax Credit Carryover – line 37 minus line 38	39.	

Information for taxpayers who made an election under I.R.C. § 41(h) for the SEPARATE PAYROLL CREDIT UNDER I.R.C. § 3111(f)

Pursuant to I.R.C. § 41(h)(1), the corporate income tax credit under I.R.C. § 41(a) and the allowable payroll credit under I.R.C. § 41(h)(1) and § 3111(f) are separate and distinct credits. The New Jersey corporation business tax research and development tax credit is based on the federal corporate income tax credit.

These expenses may not be used for the New Jersey R&D credit. Do not use these amounts in the above calculation of the New Jersey credit

- A. Enter the amount of the qualifying research expenses that taxpayer elected to use for the separate federal payroll tax credit. (These expenses may not be used for the New Jersey R&D credit and must not be reported Part I through PART IV above for calculating the New Jersey credit)..... A. _____
- B. Enter the amount of the separate federal payroll tax credit that the taxpayer had received for federal purposes..... B. _____
- C. If any amounts included on Line A, above, were also used for another New Jersey credit, enter those amounts here..... C. _____

Instructions for Form 306 Research and Development Tax Credit

ITEMS TO NOTE

- There have been major changes to the New Jersey R&D Credit, pursuant to section 6 of P.L. 2018, c. 48, amended by N.J.S.A. 54:10A-5.24. These changes are prospective only. If you are filing a return for tax years beginning prior to January 1, 2018, use the previous version of Form 306, which is available on the Division's website (refer to N.J.A.C. 18:7-3.23 for information on how the credit was previously calculated).
- For tax years beginning on and after January 1, 2018, New Jersey has recoupled to I.R.C. § 41 currently in effect, but only the Federal corporate income tax credit. The intent was to allow the new calculation methods (e.g., the alternative simplified credit), to make it easier for a business to qualify for the New Jersey R&D Credit, and to allow amounts paid or incurred to energy consortia in New Jersey to qualify. Previously the New Jersey R&D Credit was based on I.R.C. § 41 in effect on June 30, 1992, which was nonrefundable for Federal purposes and not refundable for New Jersey Corporation Business Tax purposes. The New Jersey credit made it clear that despite being coupled to the current Federal corporate income tax credit under I.R.C. § 41, any subsequent changes by Congress (e.g., terminating the Federal credit or making the Federal credit refundable) would not have any impact on the New Jersey credit.
- A credit can be claimed for only those research activities that are performed in New Jersey.
- The filing of a consolidated tax return by a controlled group of corporations is not permitted, however for tax years ending on and after July 31, 2019, combined returns are mandatory or elective. Taxpayers should otherwise use the Federal rules for computing the New Jersey R&D Credit that are applicable to consolidated groups if the taxpayers are a taxable member of a combined group included on a New Jersey combined return.
- Section references are to the Internal Revenue Code unless otherwise noted.
- For periods beginning on and after January 1, 2002, any deductions for research and experimental expenditures, to the extent that those research and experimental expenditures are qualified research expenses or basic research payments for which an amount of credit is claimed pursuant to section 1 of P.L.1993, c.175 (C.54:10A-5.24) unless those research and experimental expenditures are also used to compute a Federal credit claimed pursuant to I.R.C. § 41, if applicable, must be added back on Schedule A of the CBT-100, CBT-100S, or BFC-1 return on the line for "Other deductions and additions." Refer to the Schedule A instructions of the appropriate return.

- Due to changes to I.R.C. § 41 effective for tax years beginning on and after January 1, 2016, for Federal purposes there exists a separate Federal payroll credit that was created under I.R.C. § 3111(f), however the New Jersey R&D Credit is based on the Federal corporate income tax credit.

Note: The qualified expenses and payments used for the separate Federal payroll credit under I.R.C. § 3111(f), may be used for other New Jersey corporation business tax credits.

- The formatting of Form 306 is different than Federal Form 6765 because the New Jersey R&D Credit rate is fixed at 10%, instead of variable.

PURPOSE OF FORM

Use Form 306 to calculate and claim the credit for increasing the research activities of a trade or business. Complete Parts I through VII to compute the research credit.

QUALIFIED RESEARCH ACTIVITIES

Generally all of the Federal rules and methods for the Federal corporate income tax R&D Credit apply in computing the New Jersey R&D Credit. However the New Jersey credit is fixed at 10%. The expenses are for research in New Jersey. A taxpayer must use the same method that the taxpayer used for Federal purposes and must enclose a copy of the Federal Form 6765 as filed with the IRS.

WHO MUST FILE

A corporation claiming a credit for increasing research activities should complete this form and attach it to its tax return.

A New Jersey S corporation is allowed to claim a credit in connection with increasing research activities to the extent of its New Jersey corporation tax liability. Pass through of this credit to shareholders is not permitted.

See I.R.C. 41(f) for special rules related to:

1. Adjustments if a major portion of a business is acquired or disposed of; and
2. Short tax years.

CREDIT CARRYOVER

If the research credit cannot be used because of tax liability limitations, it may be carried forward for either 7 or 15 years. See the instructions for Part VII. Complete Part VII to document any tax credit carryover.

Specific Instructions for Form 306

PART I

CREDIT CALCULATION FOR AMOUNTS PAID OR INCURRED TO ENERGY CONSORTIA

Line 1 – Enter certain amounts paid or incurred to energy consortia in New Jersey, see I.R.C. § 41.

PART II

CREDIT CALCULATION FOR BASIC RESEARCH PAYMENTS

Line 1 – Corporations are eligible for a "basic research" credit if their payments in cash to a qualified university or scientific research organization (under a written contract) exceed a base period amount (based on their general university giving and certain other maintenance-of-effort levels for the three preceding years). Enter payments on line 1. See I.R.C. § 41(e) for details.

Line 3 – Enter the base period amount, as defined in I.R.C. § 41(e), but not more than the amount on line 1.

PART III

Complete Part III if you used the regular method to calculate your Federal corporate income tax credit. Otherwise, complete Part IV.

CREDIT CALCULATION FOR QUALIFIED RESEARCH EXPENSES

Lines 5 through 8 – Pertains to qualified research expenditures paid or incurred, see I.R.C. § 41.

NOTE: Property and expenditures included in the calculation of the Research and Development Tax Credit are not permitted to be included in the calculation of the Recycling Equipment Tax Credit, the Manufacturing Equipment and Employment Investment Tax Credit or the New Jobs Investment Tax Credit.

Line 8 – Use the applicable percentage. This is the percentage that would apply for Federal purposes based on the amounts paid or incurred for qualified research performed on the taxpayer's behalf in New Jersey. Prepaid tract research expenses are considered paid in the year the research is actually done.

Line 10 – The fixed base percentage for Federal purposes is 16%, any subsequent change to the Federal fixed based percentages will also be reflected here.

PART IV

Complete Part IV if you used the alternative simplified credit method to calculate your Federal corporate income tax credit. Otherwise use Part III.

CREDIT CALCULATION FOR QUALIFIED RESEARCH EXPENSES USING THE ALTERNATIVE SIMPLIFIED CREDIT METHOD.

Line 16 through 20 – Pertains to qualified research expenditures paid or incurred in New Jersey, see I.R.C. § 41.

Line 21 through 24 – Use the applicable percentage. This is the percentage that would apply for Federal purposes based on the amounts paid or incurred for qualified research performed on the taxpayer’s behalf in New Jersey. Prepaid tract research expenses are considered paid in the year the research is actually done.

PART V

TOTAL RESEARCH AND DEVELOPMENT TAX CREDIT

This is the portion where the actual credit amount is calculated. Unlike the Federal corporate income tax credit, in which percentage rates vary depending on the credit method, the New Jersey credit is fixed at 10%.

You must report the credit you carried over from prior tax years on Line 29. Do not recompute your tax credit for tax years beginning before January 1, 2018, on this form. The previous version of this schedule is available on the Division of Taxation’s website (www.njtaxation.org), which is used to calculate credits using the law that was in effect prior to January 1, 2018.

PART VI

CALCULATION OF THE ALLOWABLE CREDIT AMOUNT

- a) Use this portion of the form to calculate the allowable amount of the credit that can be used for the tax year.
- 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	\$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 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.

PART VII

CALCULATION OF RESEARCH AND DEVELOPMENT TAX CREDIT CARRYOVER

Use this portion of the form to calculate the amount of the credit that can be carried over for use in future tax years. Although there is a limitation of the amount of credit allowed in any one tax year, generally the amount of unused tax credit may be carried forward to each of the seven (7) accounting years following the credit’s tax year (N.J.S.A. Sec. 54:10A-5.24). A taxpayer that has been allowed a research and development credit for the fiscal or calendar accounting period (tax year) in which the qualified research expenses have been incurred, and basic research payments have been made, for research conducted in New Jersey in the fields of advanced computing, advanced materials, biotechnology, electronic device technology, environmental technology, and medical device technology, are allowed to carry over the amount of the tax year credit that could not be applied for the tax year to each of the 15 tax years following the credit’s tax year. (N.J.S.A. Sec. 54:10A-5.24b).

I.R.C. § 3111(f) Federal R&D Payroll Credit

The New Jersey R&D credit is based on the Federal corporate income tax credit. Because of changes to the Internal Revenue Code that allowed a separate Federal R&D payroll credit for qualified small businesses electing a payroll credit in lieu of a Federal corporate income tax credit that were effective for Federal tax years beginning on and after January 1, 2016, an informational box has been included for taxpayers to track any expenses that are no longer allowed for the New Jersey R&D credit. This information may be used by the Division of Taxation to determine the impact of the federal payroll tax credit on small businesses and recommend future changes.