

New Jersey Angel Investor Tax Credit Program

The Angel Investor Tax Credit is Increasing in 2020!

Governor Phil Murphy signed into law an increase in the tax credit available for investment in emerging NJ tech businesses.

Beginning with investments made after 1/1/2020, the available tax credit will increase from 10% to 20% of the qualified investment in an emerging NJ tech business.

Credit can increase to 25% if the emerging NJ tech business is MBE/WBE certified, or located in a qualified Opportunity Zone or New Markets Tax Credit census tract.

Program Details:

The New Jersey Angel Investor Tax Credit establishes credits against corporation business or gross income taxes for the purposes of stimulating investment in New Jersey emerging technology businesses.

A taxpayer, investing in a qualifying New Jersey emerging technology business with fewer than 225 employees, at least 75% of whom work in New Jersey, may be eligible for a tax credit against New Jersey corporation business or New Jersey gross (Personal) income tax.

Available Tax Credit:

* Twenty percent (20%) of the qualified investment made in a New Jersey emerging technology business, up to a maximum allowed credit of \$500,000, with potential increase to twenty-five percent (25%) of the qualified investment if the emerging NJ technology business is a certified minority business enterprise (MBE) or women business enterprise (WBE), or is located in a qualified Opportunity Zone or New Markets Tax Credit census tract.

Up to \$25 million of Angel Investor Tax Credit may be approved per calendar year. If the cumulative credits claimed by taxpayers exceed the amount available in a given year, then credits will be applied in the order in which applications are received and complete, starting on the first day of the succeeding calendar year in which Angel Investor Tax Credits do not exceed the amount of credits available.

** Tax credit is 10% of qualified investment through 12/31/2019. Tax credit will increase to 20-25% on investments made after 1/1/2020.*

Application Deadline:

Applicants have six months from date of investment to submit an application to the New Jersey Economic Development Authority. Please note that this is a dual application consisting of an investor section and a section for the technology company representative to complete. An application is not considered submitted until both the investor and technology company representative have completed and submitted their respective sections, including payment of the non-refundable application fee by the investor.

Eligibility:

To be eligible, the New Jersey emerging technology business must meet the following criteria:

- Employs fewer than 225 full-time employees, at least 75% of whom work in New Jersey
- Does business, employs or owns capital or property, or maintains an office in New Jersey
- Conducts at least one of the following activities in New Jersey:
 - o Incurs qualified research expenses in the State
 - o Conducts pilot scale manufacturing in the State

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- o Commercializes one or more of the following eligible technologies in the State: Advanced Computing, Advanced Materials, Biotechnology, Electronic Devices, Information Technology, Life Sciences, Medical Devices, Mobile Communications, Renewable Energy Technology, and Carbon Footprint Reduction Technology.
- Has as its primary business an eligible technology (as listed above.)
- Qualified investments include non-refundable transfers of cash made directly to the New Jersey emerging technology business in connection with at least one of the items listed below:
 - o stock, interests in partnerships or joint ventures, licenses (exclusive or non-exclusive), right to use technology, marketing rights, warrants, options, or any similar items, including but not limited to options or rights to acquire any of the listed
 - o a purchase, production, or research agreement
- To be considered non-refundable, these items must be held or not expire for at least 2 calendar years from the date of the transfer of cash, with an exception being made for initial public offerings (IPOs), mergers and acquisitions, damage awards for the business's default of an agreement, or other return of initial cash outlay beyond the investor's control.

M/WBE Certification:

Early-stage businesses interested in becoming a certified M/WBE must complete an application with the New Jersey Department of the Treasury - Division of Revenue. There is a \$100 application fee (non-refundable), and M/WBE certifications are valid for 3 years.

A link to the application for M/WBE certification can be found at www.njeda.com/angeltaxcredit.

For more information on M/WBE certification, please call the Division's Business Registration and Certification Office at (609) 292-2146.

Fees*:

- Application fee:
 - o \$500 for investment amounts of \$50,000 or less
 - o \$2,500 for investment amounts over \$50,000
- Approval fee for qualified investments over \$500,000:
 - o 5% of the amount of the tax credit or \$2,500, whichever is greater. The application fee is credited toward the approval fee.
- A non-refundable fee of \$150.00 shall be paid to the Authority for each request for reissuance per tax certificate previously issued pursuant to N.J.A.C. 19:31-19.6.

** All fees are non-refundable.*

Please call 609-858-6767 or visit www.njeda.com/angeltaxcredit for more information.

Questions about the program can be emailed to AngelTaxCredit@njeda.com.

