

# Technology Business Tax Certificate Transfer (NOL) Program



# Program Overview



Enables approved Biotechnology and Technology Businesses to sell their Unused Net Operating Loss (NOL) and Unused Research and Development (R&D) Tax Credits for cash.

New Jersey Economic Development Authority (EDA) determines eligibility.



New Jersey Division of Taxation determines the tax benefit value (NOL and R&D Tax Credits).



# Benefits



Non-dilutive funding



Average historical award of over \$1 million



Nearly 90 percent of applicants successfully receive funding



On average, funding is received within six months of applying

# Eligibility



Applicant companies must meet the following requirements:

Definition of Biotechnology or Technology Business

Own or exclusively control Protected Proprietary Intellectual Property

No Net Operating Income for past 2 full years (also applies to any entity owning/controlling, directly or indirectly, 50% or more)

Less than the maximum US and more than the minimum NJ amount of full-time employees

Must offer health benefits under a group health plan to full-time employees

# Requirements

## Technology Business



### Emerging corporations must:

- Have their **headquarters or base of operations** in this State;
- Own, have filed for, or possess a valid license to use **Protected Proprietary Intellectual Property** whose **primary business** is the provision of a **scientific** process, product, or service and that employs some combination of the following:
  - Highly educated and/or trained managers and workers employed in New Jersey
  - Who use sophisticated scientific research service or production equipment, processes or knowledge to discover, develop, test, transfer or manufacture a product or service

# Requirements

## Biotechnology Business



### Emerging corporations must:

- Have their **headquarters or base of operations** in this State;
- Own, have filed for, or possess a valid license to use **Protected Proprietary Intellectual Property**;
- Be engaged in the research, development, production, or provision of **Biotechnology** for the purpose of developing or providing products or processes for specific commercial or public purposes, including but not limited to, medical, pharmaceutical, nutritional, and other health-related purposes, agricultural purposes, and environmental purposes.

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



# Requirements



Protected Proprietary Intellectual Property (PPIP)

Patents or patent applications  
(Assigned to Applicant) or in  
the applicant's name.

Exclusive license agreement  
(Patent owner to Applicant  
granting control of all aspects  
of the patent to  
commercialize technology).

Copyright Registration  
(US Library of Congress).

Applicant must demonstrate  
both:

- \* How the PPIP is the Applicant's primary business
- \* How the PPIP enables the Applicant to meet the Biotechnology Business or Technology Business definition.

**NOT PPIP:** Trade Secrets, Trademarks, Unregistered Copyright, Exclusive Distribution, Sales, and/or Service Agreements, Licensed Software such as Microsoft Windows or Oracle

# Requirements

## Financial Statement



- **Two most recent years** of financial statements or annual reports (with footnotes) prepared in accordance with **US GAAP** by an *independent Certified Public Accountant (CPA)*.
- Form 10K is acceptable for **publicly held** Applicants
- **Subsidiary, Parent, Affiliated** companies must include the two most recent financial statements which prepared in accordance with **US GAAP** by an *independent CPA*.
- Consolidating financial statements acceptable.
- Consolidated financial statements **NOT** acceptable.

Applicant, or any entity owning/controlling, directly or indirectly, 50% or more, must **NOT** have **Positive Net Operating Income** in any of the **TWO** most recent full years of ongoing operations, as determined on its financial statements.



# Requirements

## Employment Eligibility



**NOTE:** Total U.S. employment cannot exceed **224** full-time employees, including employees of all affiliates, parents, and subsidiaries.

Incorporated/ Formed	Minimum Number NJ Full-Time Employees (Application & Benefit Sale Date)
Less than 3 years (as of 6/30)	1
More than 3 years, but less than 5 years (as of 6/30)	5
More than 5 years (as of 6/30)	10

# Requirements

## Employment Eligibility



A Full-Time Employee **must:**

- Be employed by applicant or leased from PEO for at least 35 hours a week.
- Have wages that are subject to withholding tax in New Jersey.
- Spend at least 80% of their work-week time working in NJ.
- Be offered health benefits under a group health plan.

A Full-Time Employee **cannot:**

- Be an independent contractor, consultant, intern, temporary employee, or be in a temporary position
- Be exempt from withholding tax under the NJ Gross Income Tax Act (i.e. Pennsylvania residents - Reciprocal Tax Agreement)

Full-Time employees are considered from the ***earliest incorporation or formation date of the applicant or its earliest predecessor entity***, irrespective of the corporate structure or tax status of the entity at time of formation/incorporation.

# Requirements

## Necessary Documentation



- Certificate of Incorporation (for earliest formation of Applicant Company)
- Written description of the Applicant's business
- Protected Proprietary Intellectual Property (PPIP)
- List of Shareholders
- Employee Log
- Employee Verification
- Evidence of health benefits coverage (including cover page of policy, invoices, etc.)

# Annual Award & Allocation



<b>Innovation Zones</b>	<b>\$10,000,000</b>
General Pool	\$50,000,000
<b>Total Annual Allocation</b>	<b>\$60,000,000</b>

- Innovation Zone (IZ) businesses in Camden, Newark & Greater New Brunswick Area
- Unused IZ benefits roll over to the General Pool
- Applicant may receive a maximum lifetime value of \$15M in Tax Benefit

# Tax Benefit Award

## Calculation Example



Net Operating Loss (NOL)	\$5,000,000
(X) Allocation Factor (varies per applicant)	X 95%
<u>(X) NJ Corporate Business Tax Rate</u>	<u>X 9%</u>
Tax Benefit Available for Sale	\$427,500
Minimum Sale Price: 80%	\$342,000
Historical Market Price: 92.5%	\$395,437.50

# Recapture of Tax Benefits



In the event an Applicant Business **fails to maintain** a headquarters or base of operation in New Jersey.

Move Out of State Within	Recapture Percentage
1 Year of Sale	100%
2 Years of Sale	80%
3 Years of Sale	60%
4 Years of Sale	40%
5 Years of Sale	20%

Exception: *Liquidation* of Applicant Company



# Estimated Timetable



Application  
Available  
April 30

Application  
Deadline  
June 30

Application  
Decision  
Aug. 14

Benefit  
Approval  
Nov. 30

Sale  
Deadline  
April 15  
(Following Year)

# Application



**Application Fee: \$2,500**  
(non-refundable)



## **PLEASE NOTE:**

The application is now a fully online application.

No paper applications or payments will be accepted.

Application deadline is on June 30<sup>th</sup> at 11:59 p.m. Applications may not be submitted after this time.

Additional Program Details, Frequently Asked Questions,  
& Online Application available at [www.njeda.com/NOL](http://www.njeda.com/NOL)

# Success Stories



NOL Program Participant Moblty Helps Retailers Transform Everyday Shopping Experience

Princeton-Based Arable Labs' Mission to Help Farmers Worldwide Fueled by EDA Support



DataMotion Founder Calls New Jersey's Technology Business Tax Certificate Transfer Program One of the Best in Nation

# Success Stories



Ideal Location, Unique State Resources Give  
Enteris BioPharma Advantage in Global  
Marketplace



Medical Device Company Nephros, Inc. Credits  
State's NOL Program with Fueling Growth

State's Technology Business Tax Certificate  
Transfer (NOL) Program Helps Roka Bioscience  
Commercialize Life-Saving Food Safety Tests



# Contact Us



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Are your Tech or Biotech  
companies losing money?

A large, semi-transparent play button icon is centered over the text. It consists of a white right-pointing triangle inside a white circle, which is itself inside a larger, light gray circle.