



NEW JERSEY ADMINISTRATIVE CODE  
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\*\*\* New Jersey Register, Vol. 47 No. 16, August 17, 2015 \*\*\*

TITLE 19. OTHER AGENCIES  
NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY  
CHAPTER 31. AUTHORITY ASSISTANCE PROGRAMS  
SUBCHAPTER 12. TECHNOLOGY BUSINESS TAX CERTIFICATE TRANSFER PROGRAM

*N.J.A.C. 19:31-12.1 (2015)*

§ 19:31-12.1 Applicability and scope

The rules in this subchapter are promulgated by the New Jersey Economic Development Authority to implement P.L. 1997, c. 334, as amended by P.L. 2009, c. 90 and P.L. 2010, c. 10. This Act establishes a corporation business tax benefit certificate transfer program to assist new or expanding emerging technology and biotechnology companies in New Jersey.

**HISTORY:**

Amended by R.2010 d.206, effective October 4, 2010.

See: *42 N.J.R. 1348(a)*, *42 N.J.R. 2322(b)*.

Substituted "c. 334, as amended by P.L. 2009, c. 90 and P.L. 2010, c. 10" for "c.334".



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*N.J.A.C. 19:31-12.2 (2015)*

§ 19:31-12.2 Definitions

The following words and terms, as used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise.

"Allowable expenditures" means costs incurred in connection with the operation of the new or expanding emerging technology or biotechnology business in the State, including, but not limited to, the expenses of fixed assets, such as the construction, acquisition and development of real estate, materials, start-up, tenant fit-out, working capital, salaries, and research and development expenditures.

"Authority" means the New Jersey Economic Development Authority.

"Biotechnology" means 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.

"Biotechnology business" means an emerging corporation that has a headquarters or base of operations located in New Jersey that owns, has filed for, or has a license to use protected, proprietary intellectual property and whose primary business is 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.

"Buying business" means a business with the financial ability to purchase the unused net operating loss carryover and/or unused research and development tax credits from an unaffiliated selling business. For the purpose of this definition, the test of affiliation is whether the same entity directly or indirectly owns or controls five percent or more of the voting rights or five percent or more of the value of all classes of stock of both the selling and buying businesses.

"Camden innovation zone" means the innovation zone in the southern part of the State bounded as follows: in the north by the Ben Franklin Bridge, in the east by Interstate 676, in the south by Kaighns Avenue, and in the west by the Delaware River.

"Certificate" means the certificate issued by the Division of Taxation certifying to the selling business amounts of unused net operating loss carryover and/or unused research and development tax credit carryovers.

"Financial statements" means a statement prepared by an independent Certified Public Accountant (CPA), which shall include an opinion letter indicating the scope of the services performed (compilation, review, or audit) in accordance with Generally Accepted Accounting Principles (GAAP) as determined by the Financial Standards Accounting Board (FASB) and shall include a balance sheet, statement of income and expenses, cash flow statement, other statements as determined by the independent CPA, and footnotes where applicable.

"Full-time employee" means a person employed by a new or expanding emerging technology or biotechnology company on a permanent or indefinite basis for consideration for at least 35 hours a week, or who renders any other

standard of service generally accepted by custom or practice as full-time employment and whose wages are subject to withholding as provided in the New Jersey Gross Income Tax Act, *N.J.S.A. 54A:1-1* et seq., or who is a partner of a new or expanding emerging technology or biotechnology company who works for the partnership for at least 35 hours a week, or who renders any other standard of service generally accepted by custom or practice as full-time employment, and whose distributive share of income, gain, loss, or deduction, or whose guaranteed payments, or any combination thereof, is subject to the payment of estimated taxes, as provided in the New Jersey Gross Income Tax Act, *N.J.S.A. 54A:1-1* et seq., or who is employed under a formal written agreement with an institution of higher education whereby the institution's students are employed by the technology or biotechnology company on a permanent basis within a single position and in compliance with all other requirements of this definition. To qualify as a "full-time employee," an employee shall also receive from the new or expanding emerging technology or biotechnology company health benefits under a group health plan as defined under section 14 of P.L. 1997, c. 146 (*N.J.S.A. 17B:27-54*), a health benefits plan as defined under section 1 of P.L. 1992, c. 162 (*N.J.S.A. 17B:27A-17*), or a policy or contract of health insurance covering more than one person issued pursuant to Article 2 of chapter 27 of Title 17B of the New Jersey Statutes. "Full-time employee" shall not include any person who works as an independent contractor or on a consulting basis for the new or expanding emerging technology or biotechnology business; or any person who works as an intern, as a temporary employee, or in a temporary position.

"Full-time employee working in this State" means a full-time employee whose primary office is in New Jersey and who spends at least 80 percent of his or her time in New Jersey, or who spends any other period of time generally accepted by custom or practice as full-time employment in New Jersey, as determined by the Authority.

"Greater New Brunswick innovation zone" means the innovation zone bounded as follows: in the north by Route 287 to Stelton Road to Metlars Lane to Route 18, in the east by Route 1, in the south by Suydam Road/Claremont Road/Finnegan's Lane, and in the west by the Millstone River and Raritan River, which includes parts of North Brunswick, New Brunswick, Piscataway and Franklin Township and Rutgers University's Livingston campus.

"Innovation zone" means any of the three zones located in the northern, central and southern portions of New Jersey designated by the Authority as the Newark innovation zone, North/New Brunswick innovation zone and Camden innovation zone, respectively.

"License" means an agreement that states therein that it is granting an exclusive license that authorizes the applicant to control aspects of the development of the protected proprietary intellectual property. License shall not include an agreement, such as an exclusive distribution agreement or similar business arrangement that is not registered with the U.S. Federal Government, such as the U.S. Patent and Trademark Office, that does not grant the applicant control of the protected proprietary intellectual property.

"Net operating loss" means the excess of the deductions over the gross income used in computing entire net income in a specific year without regard to the net operating loss carryover to that year and the dividend exclusion, as provided in *N.J.S.A. 54:10A-4(k)(6)(C)*.

"New or expanding" means a technology or biotechnology company that:

1. On June 30 of the year in which the company files an application for surrender of unused but otherwise allowable tax benefits under P.L. 1997, c. 334 (*N.J.S.A. 34:1B-7.42a* et al.) and on the date of the exchange of the corporation business tax benefit certificate, has fewer than 225 employees in the United States of America;

2. On June 30 of the year in which the company files such an application, has at least one full-time employee working in this State if the company has been incorporated or formed, irrespective of corporate structure or tax status, for less than three years, has at least five full-time employees working in this State if the company has been incorporated or formed, irrespective of corporate structure or tax status, for more than three years but less than five years, and has at least 10 full-time employees working in this State if the company has been incorporated or formed, irrespective of corporate structure or tax status, for more than five years; and

3. On the date of the exchange of the corporation business tax benefit certificate, the company has the requisite number of full-time employees in New Jersey that were required on June 30 as set forth in paragraph 2 above.

In calculating the number of employees under this definition, employees of all affiliates and subsidiaries as shown on its consolidated financial statements, employees of any company that owns or controls at least 50 percent of the applicant, as well as the employees of any consolidated group of affiliated corporations as filed for Federal income tax purposes shall be included.

"Newark innovation zone" means the innovation zone in the northern part of the State bounded as follows: in the north by Interstate 280, in the east by McCarter Highway (Route 21) and the Pennsylvania Railroad, in the south by Market Street to South Orange Avenue, and in the west by Bergen Street.

"Program" means the Technology Business Tax Certificate Transfer Program.

"Protected proprietary intellectual property" means intellectual property that is the technology of the applicant's primary business as a technology or biotechnology business that is also protected via a patent pending, patent awaiting approval, approved patent, or registered copyright.

"Research and development tax credits" means a tax credit against corporation business tax liabilities for taxpayers who have performed qualified research activities in New Jersey, calculated in the manner as the Federal tax credit for increasing research activities. The credit is based on qualified expenditures in New Jersey beginning on or after January 1, 1994. It provides a credit of 10 percent of the excess qualified research expenses over a base amount plus 10 percent of the basic research payments. Taxpayers must complete New Jersey Division of Taxation--Corporate Business Tax Form 306 to claim their credit. The amount of credit claimed for any single tax year cannot exceed 50 percent of that year's tax liability prior to the consideration of this credit and it cannot reduce the tax liability below the statutory minimum, as set forth in *N.J.S.A. 54:10A-5.24*.

"Selling business" means a new or expanding technology and/or biotechnology business that has unused net operating loss carryover and/or unused research and development tax credits which it wishes to "sell."

"Technology business" means an emerging corporation, that has a headquarters or base of operations located in New Jersey, that owns, has filed for, or has a 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. Examples of activities satisfying this definition include: the designing and developing of computing hardware and software; the research, development, production, or provision of materials with engineered properties created through the company's development of specialized processing and synthesis technology and the research, development, production or provision of technology involving microelectronics, semiconductors, electronic equipment and instrumentation, radio frequency, microwave and millimeter electronics, and optical and optic-related electrical devices, or data and digital communications and imaging devices.

"Unused net operating loss carryover" means net operating loss for any tax year as defined in *N.J.S.A. 54:10A-4(k)(6)(B)*.

"Unused research and development tax credits" means the amount of tax credit otherwise allowable which cannot be applied because it would reduce the tax liability below 50 percent of the liability prior to consideration of the credit or it reduces the tax below the statutory minimum, as provided in *N.J.S.A. 54:10A-5.24(b)*.

#### HISTORY:

Amended by R.2003 d.297, effective July 21, 2003.

See: *35 N.J.R. 1655(a)*, *35 N.J.R. 3393(a)*.

Added "New applicant", "Re-certification applicant", "Returning applicant".

Amended by R.2005 d.274, effective August 15, 2005.

See: *37 N.J.R. 1714(a)*, *37 N.J.R. 3058(a)*.

Added "Camden innovation zone", "Innovation zone", "Newark innovation zone" and "North/New Brunswick innovation zone" definitions.

Amended by R.2006 d.284, effective August 7, 2006.

See: *38 N.J.R. 1801(a)*, *38 N.J.R. 3184(c)*.

In definition "Biotechnology business", substituted "corporation" for "company" and inserted "that owns, has filed for, or has a license to use protected, proprietary intellectual property"; in definition "New or expanding", added the last sentence; and rewrote definition "Technology business".

Amended by R.2008 d.164, effective June 16, 2008.

See: *40 N.J.R. 1630(a)*, *40 N.J.R. 3748(a)*.

Rewrote definition "New or expanding".

Amended by R.2010 d.206, effective October 4, 2010.

See: *42 N.J.R. 1348(a)*, *42 N.J.R. 2322(b)*.

In definition "Allowable expenditures", substituted "business" for "company" and inserted "and" preceding "research"; rewrote definitions "Biotechnology business", "New or expanding" and "Unused net operating loss carryover"; in definition "Camden innovation zone", substituted "Bridge" for "bridge"; added definitions "Financial statements", "Full-time employee", "Greater New Brunswick innovation zone", "License" and "Protected proprietary intellectual property"; and deleted definitions "New applicant", "North/New Brunswick innovation zone", "Re-certification applicant" and "Returning applicant".

Amended by R.2012 d.119, effective June 18, 2012.

See: *44 N.J.R. 665(a)*, *44 N.J.R. 1794(a)*.

Added definition "Full-time employee working in this State"; and in paragraph 2 of definition "New or expanding", inserted "or formed, irrespective of corporate structure or tax status," three times.

Amended by R.2013 d.099, effective August 5, 2013.

See: *45 N.J.R. 1098(a)*, *45 N.J.R. 1921(b)*.

Rewrote definitions "Full-time employee", "License", and "Protected proprietary intellectual property".



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*N.J.A.C. 19:31-12.3 (2015)*

§ 19:31-12.3 Eligibility

(a) A business shall be eligible to apply to the program if the Authority finds that the business:

1. Meets the definition of a technology or biotechnology business;
2. Has unused amounts of research and development tax credits and/or unused net operating loss carryover; and
3. Meets the definition of new or expanding.

(b) No application shall be approved in which the business:

1. Has demonstrated positive net operating income in any of the two previous full years of ongoing operations as determined on its financial statements;

2. Is directly or indirectly at least 50 percent owned or controlled by another corporation that has demonstrated positive net operating income in any of the two previous full years of ongoing operations as determined on its financial statements or is part of a consolidated group of affiliated corporations, as filed for Federal income tax purposes, that in aggregate has demonstrated positive net operating income in any of the two previous full years of ongoing operations as determined on its combined financial statements. For purposes of this paragraph, a corporation that directly or indirectly owns or controls at least 50 percent of the applicant and a corporation that is part of a consolidated group of affiliated corporations with the applicant shall be considered to have net operating income only if the corporation must report net operating income in its financial statements; or

3. Filed its application, such that the Authority received the application after June 30 of the program cycle year.

HISTORY:

Amended by R.2000 d.297, effective July 17, 2000.

See: 32 *N.J.R.* 1705(a), 32 *N.J.R.* 2602(c).

In (a)3, inserted "or no" following "negative net".

Amended by R.2003 d.443, effective November 3, 2003.

See: 35 *N.J.R.* 3466(a), 35 *N.J.R.* 5162(a).

In (a)4, inserted last sentence.

Amended by R.2006 d.284, effective August 7, 2006.

See: 38 *N.J.R.* 1801(a), 38 *N.J.R.* 3184(c).

In (a)2, inserted "and" at the end; rewrote (a)3; deleted (a)4; and added (b) and (c).

Amended by R.2010 d.206, effective October 4, 2010.

See: *42 N.J.R. 1348(a)*, *42 N.J.R. 2322(b)*.

In (a)3, deleted ", provided that returning applicants are not required to meet this condition of eligibility"; in (b)1, inserted "operating" and "or"; deleted former (b)2; recodified former (b)3 as (b)2; in (b)2, inserted "operating" twice; and deleted (c).

Amended by R.2013 d.099, effective August 5, 2013.

See: *45 N.J.R. 1098(a)*, *45 N.J.R. 1921(b)*.

In (b)1, deleted "or" from the end; in (b)2, substituted "; or" for a period at the end; and added (b)3.

Amended by R.2015 d.135, effective August 17, 2015.

See: *47 N.J.R. 987(a)*, *47 N.J.R. 2186(a)*.

Rewrote (b)2.



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*N.J.A.C. 19:31-12.4 (2015)*

§ 19:31-12.4 Application to the program

(a) Each application submitted by a selling business to the program shall be accompanied by a non-refundable \$ 2,500 application fee. Complete applications must be received by June 30 for each State fiscal year.

(b) In order for the Department of Treasury, Division of Taxation to issue a certificate, each application submitted to the program shall include: a selling business application which includes the information set forth in (c) below; a spending certification form attesting to having spent the proceeds of the prior year's sale of tax benefits in accordance with the definition of allowable expenditures; a Buying Business Information Sheet which identifies the buying business name, address, telephone number, the estimated value of benefits to be transferred in an amount equal to at least 80 percent of the surrendered tax benefit and from whom and a business certification; an agreement between the buying and selling business defining the terms of the sale of the certificate; and the Tax Benefit Identification Form which summarizes the accumulated net operating losses and research and development credits authorized to be sold and the value intended to be sold. For determination of eligibility for the program, the initial application package shall also include a selling business application and a spending certification form.

(c) In addition to the material specified in (b) above, a completed application shall include, but is not limited to:

1. A description of the nature of the business conducted by the company;
2. A company business plan;
3. Financial statements for the two most recent full years of operation;
4. A list of all affiliates and subsidiaries as reflected on the consolidated financial statements of the applicant and the number and location of all employees of such corporation(s);
5. A list of all entities and affiliated groups of corporations that directly or indirectly own or control 50 percent or greater of the selling business, the number and location of all employees of any such entity and affiliated group of corporations, and the two most recent full years of financial statements for each such entity and affiliated group of corporations that must report net operating income in its financial statements;
6. A list of all entities that form a consolidated group of affiliated corporations, as filed for Federal income tax purposes, the number and location of all employees of such corporation(s), and financial statements for the two most recent full years of operation;
7. A representation as to the location of the applicant's primary place of business in an Innovation Zone;
8. A description of the applicant's technology or biotechnology business which shall demonstrate that such business is the primary business of the applicant and that the applicant meets the other criteria of the definition of technology or biotechnology business. Where applicable, documentation of protected proprietary intellectual property must be provided;



9. A list of all full-time employees employed in this State, including Social Security number for each, address on record with the applicant for each employee, whether the employee has submitted a Certificate of Non-residence for an exemption from the New Jersey Gross Income Tax, whether any employee is pursuing a higher education degree, if so known to the applicant, whether any employee is related, as defined in *Section 152(d)(2) of the Internal Revenue Code*, to any other employee, shareholder, or investor if so known to the applicant, and copies of most recent year's Federal and New Jersey W-3 forms for applicant, parent company, and all related entities, or documentation from a professional employer organization summarizing W-2 forms issued on behalf of the applicant, parent company, and all related entities in New Jersey and in the United States for the calendar year prior to the year in which the company files its application and at the time of the application;

10. The employment offer letter, resume, and job description for every employee hired in the current year;

11. A list of 100 percent of ownership of the applicant by percentage;

12. A copy of the certificate of incorporation/formation for the applicant and its earliest predecessor entity; and

13. Any other supplemental information required by the Authority.

(d) Applications are processed through several layers of staff review and may then be recommended for consideration and official action of the Authority's Board of Directors at its scheduled public meeting.

(e) The Division of Taxation, Department of the Treasury separately reviews applicants and may make recommendations regarding program eligibility.

#### HISTORY:

Amended by R.2000 d.297, effective July 17, 2000.

See: *32 N.J.R. 1705(a)*, *32 N.J.R. 2602(c)*.

In (a), rewrote the second sentence.

Amended by R.2001 d.242, effective July 16, 2001.

See: *33 N.J.R. 1567(a)*, *33 N.J.R. 2495(b)*.

In (a), deleted "July 28, 1999 for consideration in State FY 00 and by" preceding "June 30"; in (c)3, inserted "and/or tax returns for the same periods" at the end of the paragraph.

Amended by R.2002 d.254, effective August 5, 2002.

See: *34 N.J.R. 1603(a)*, *34 N.J.R. 2800(b)*.

In (c), substituted "three" for "two" in 3, rewrote 4 and 5, deleted former 10 and 11, recodified former 12 as 10 and deleted "and projected two years", and recodified former 13 as 11.

Amended by R.2003 d.297, effective July 21, 2003.

See: *35 N.J.R. 1655(a)*, *35 N.J.R. 3393(a)*.

Rewrote (a).

Amended by R.2006 d.284, effective August 7, 2006.

See: *38 N.J.R. 1801(a)*, *38 N.J.R. 3184(c)*.

In (a)1 and (a)2, substituted "\$ 1,500" for "\$ 1,000"; rewrote (a)3; and rewrote (c).

Amended by R.2008 d.164, effective June 16, 2008.

See: *40 N.J.R. 1630(a)*, *40 N.J.R. 3748(a)*.

In the introductory paragraph of (a), inserted ", including new, recertification and returning applications," and "\$ 2,500", and deleted "as outlined in (a)1 through (a)3 below" following "fee"; and deleted (a)1 through (a)3.

Amended by R.2010 d.206, effective October 4, 2010.

See: *42 N.J.R. 1348(a)*, *42 N.J.R. 2322(b)*.

In (a), deleted ", including new, recertification and returning applications," following "program"; in (b), inserted "in an amount equal to at least 80 percent of the surrendered tax benefit"; rewrote (c)3; deleted former (c)4 and (c)5; recodified former (c)6 through (c)8 as (c)4 through (c)6; in (c)6, inserted "financial statements for" preceding "the two most" and substituted "operation" for "financial statements for each"; deleted former (c)9 through (c)12; recodified former (c)13 as (c)7; in (c)7, deleted "or a state-sponsored incubator site" following "Zone"; added new (c)8 through (c)11; deleted (c)14; and recodified former (c)15 as (c)12.

Amended by R.2013 d.099, effective August 5, 2013.

See: *45 N.J.R. 1098(a)*, *45 N.J.R. 1921(b)*.

Rewrote (c)4 and (c)9; in (c)5 and (c)6, substituted "entities" for "corporations"; added new (c)10; recodified former (c)10 through (c)12 as (c)11 through (c)13; in (c)11, deleted "percent" following "ownership"; rewrote (c)12; and in (e), inserted "the".

Amended by R.2015 d.135, effective August 17, 2015.

See: *47 N.J.R. 987(a)*, *47 N.J.R. 2186(a)*.

Rewrote (c)5.



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*N.J.A.C. 19:31-12.5 (2015)*

§ 19:31-12.5 Evaluation process

(a) When all of the required information is received, the Authority shall perform its own review based on the standards set forth in *N.J.A.C. 19:31-12.3*.

(b) After completing its review under (a) above, a preliminary determination shall be made by the Authority as to the merits of the request and its adherence to the statutory requirements of the program. Upon this determination, the applicant will receive notification of preliminary approval that will state the conditions that must be met before the Authority will issue final approval. The notification of preliminary approval will state that the Authority will forward the application to the Division of Taxation only upon receipt of the following:

1. A Buying Business Information Sheet which identifies the buyer, the amount of tax benefits to be sold and the selling price;

2. A Tax Benefit Identification Form on which the applicant lists the amount of tax benefits they wish to sell and the years that the Net Operating Loss's and/or Research and Development tax credits were incurred;

3. A Private Financial Assistance Form specifying how the applicant will expend the private financial assistance for allowable expenditures for the operations of the company;

4. An executed form of the standard selling agreement, with the Private Financial Assistance Form attached as an exhibit; and

5. If the applicant was authorized to sell and did sell tax benefits in the prior year, a spending certification that attests that the applicant spent the proceeds of the prior year's sale of tax benefits in accordance with the prior year's Private Financial Assistance Form.

(c) After approval of the tax benefit by the Division of Taxation as evidenced by the issuance of a tax certificate which will be sent to the Authority, the Authority will issue final approval of the grant only upon the receipt of a certificate from the applicant, dated the date of the closing of the sale of the tax benefit certificate that states, among other matters, the number of employees employed on that date by the applicant in the United States of America and in New Jersey, and that as of the date of the certificate, the company is operating as a new or expanding emerging biotechnology or technology business and has no current intention to cease operating as a new or expanding emerging biotechnology or technology business.

HISTORY:

Amended by R.2002 d.254, effective August 5, 2002.

See: *34 N.J.R. 1603(a)*, *34 N.J.R. 2800(b)*.

In (a), rewrote 4 and 5i.

Amended by R.2002 d.334, effective October 7, 2002.

See: *34 N.J.R. 2414(a)*, *34 N.J.R. 3531(b)*.

Rewrote (b) and (c).

Amended by R.2003 d.443, effective November 3, 2003.

See: *35 N.J.R. 3466(a)*, *35 N.J.R. 5162(a)*.

Rewrote (c).

Amended by R.2006 d.284, effective August 7, 2006.

See: *38 N.J.R. 1801(a)*, *38 N.J.R. 3184(c)*.

Rewrote (a)4 through (a)6.

Amended by R.2010 d.206, effective October 4, 2010.

See: *42 N.J.R. 1348(a)*, *42 N.J.R. 2322(b)*.

In (a), substituted "the standards set forth in *N.J.A.C. 19:31-12.3*." for "the following minimum criteria:"; deleted (a)1 through (a)6; and in (c), inserted "the number of employees employed on that date by the applicant in the United States of America and in New Jersey, and" and deleted the last sentence.



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SUBCHAPTER 12. TECHNOLOGY BUSINESS TAX CERTIFICATE TRANSFER PROGRAM

*N.J.A.C. 19:31-12.6 (2015)*

§ 19:31-12.6 Approval process

(a) All applications for eligibility in the program shall be presented to the members of the Authority for approval or denial.

(b) When the members approve or deny a request, the minutes at which such determination occurs are submitted to the Governor.

(c) The members' action is effective 10 working days after the Governor's receipt of the minutes, provided no veto has been issued.

(d) An applicant may appeal the Board's action by submitting in writing to the Authority, within 20 days from the date of the Board's action, an explanation as to how the applicant has met the program criteria. The Authority cannot consider any new evidence or information about the project other than evidence or information that would demonstrate that the applicant met all of the application criteria by the June 30 deadline. Appeals will be handled by the Authority as follows:

1. The Chief Executive Officer shall designate an employee of the Authority to serve as a hearing officer for the appeal and to make a recommendation on the merits of the appeal to the Board. The hearing officer shall perform a review of the written record and may require an in-person hearing. The hearing officer has sole discretion to determine if an in-person hearing is necessary to reach an informed decision on the appeal;

2. Following completion of the record review and/or in-person hearing, as applicable, the hearing officer shall issue a written report to the Board containing his/her finding(s) and recommendation(s) on the merits of the appeal; and

3. The Board shall consider the hearing officer's recommendation(s) and, based on that review, shall issue a final decision on the appeal.

HISTORY:

Amended by R.2000 d.297, effective July 17, 2000.

See: 32 *N.J.R.* 1705(a), 32 *N.J.R.* 2602(c).

Rewrote the section.

Amended by R.2001 d.242, effective July 16, 2001.

See: 33 *N.J.R.* 1567(a), 33 *N.J.R.* 2495(b).

In (d), rewrote the first sentence.

Amended by R.2006 d.284, effective August 7, 2006.

See: *38 N.J.R. 1801(a)*, *38 N.J.R. 3184(c)*.

In the third sentence of (d), inserted "which" and substituted "considered" for "reconsidered".

Amended by R.2010 d.206, effective October 4, 2010.

See: *42 N.J.R. 1348(a)*, *42 N.J.R. 2322(b)*.

Rewrote (a); in (b), inserted "approve or" and substituted "determination" for "denial"; rewrote the introductory paragraph of (d); and added (d)1 through (d)3.



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TITLE 19. OTHER AGENCIES  
NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY  
CHAPTER 31. AUTHORITY ASSISTANCE PROGRAMS  
SUBCHAPTER 12. TECHNOLOGY BUSINESS TAX CERTIFICATE TRANSFER PROGRAM

*N.J.A.C. 19:31-12.7 (2015)*

§ 19:31-12.7 Allocation of tax benefits

(a) The Program is authorized to provide no more than \$ 60,000,000 of tax benefits over each State fiscal year. Of the \$ 60,000,000 of transferable tax benefits authorized for each State fiscal year \$ 10,000,000 shall be allocated exclusively among the eligible companies that operate within the boundaries of the innovation zones, except as provided in (a)2ii below. In the event the total amount of transferable tax benefits approved exceeds these limitations or any subsequent limitations, the Authority shall allocate the transfer of tax benefits as follows:

1. Each company is limited to a maximum lifetime tax benefit of \$ 15,000,000.

2. The Authority shall allocate the \$ 10,000,000 designated for eligible companies in innovation zones as follows:

i. For eligible companies in innovation zones, each company is eligible for an allocation of the lesser of \$ 250,000 or the value of their eligible benefits. After these allocations are made to these companies from the \$ 10,000,000 innovation zone allocation, any remaining balance of the \$ 10,000,000 shall be apportioned among eligible companies in innovation zones with unmet eligible benefits on a pro rata basis;

ii. If, in any State fiscal year, there is an unused portion of the \$ 10,000,000 allocated exclusively for companies in innovation zones, that portion shall be available for that State fiscal year for the surrender of transferable tax benefits by new and/or expanding emerging technology and biotechnology businesses that do not operate within the boundaries of an innovation zone; and

iii. The eligible companies in innovation zones with remaining unmet eligible benefits shall participate in the allocation of the remaining pool as set forth in (a)3 below.

3. The Authority shall allocate the remaining tax benefits as follows:

i. Businesses with less than \$ 250,000 in tax benefits will be authorized to sell all of their benefits in the current year;

ii. Businesses with more than \$ 250,000 in tax benefits will be authorized to sell at least \$ 250,000 of their benefits in the current year; and

iii. If the total amount of benefits authorized under (a)2 and 3i and ii above exceeds \$ 60,000,000, each applicant shall receive a lesser amount on an apportioned basis, otherwise after the dollars are set aside in the amounts provided in (a)2 and 3i and ii above, the remaining funds available to the program, in that fiscal year, shall be allocated among the businesses with more than \$ 250,000 of tax benefits. The available tax benefits shall be determined by reducing the amount of tax benefits to be transferred for each business by the minimum amount of tax benefits authorized for that business and then multiplying that amount by the following factor:

Numerator of Fiscal Year Dollar Authorization less Total Minimum Tax Benefits Authorized over denominator of Total Tax Benefits Requested to be Transferred less Total Minimum Tax Benefits Authorized.

The total minimum tax benefits authorized is the amount authorized for businesses with less than \$ 250,000 of tax benefits plus the minimum tax benefits authorized for businesses with more than \$ 250,000 of tax benefits. The total tax benefits requested to be transferred is the total amount of tax benefits requested to be transferred by all businesses.

**HISTORY:**

Amended by R.2000 d.297, effective July 17, 2000.

See: *32 N.J.R. 1705(a)*, *32 N.J.R. 2602(c)*.

In (a), deleted "\$ 50,000,000 of tax benefits over State fiscal year 2000 and" following "provide" in the introductory paragraph.

Amended by R.2005 d.274, effective August 15, 2005.

See: *37 N.J.R. 1714(a)*, *37 N.J.R. 3058(a)*.

In (a), rewrote the introductory paragraph and added new 4, recodified 4 as 5.

Administrative correction.

See: *37 N.J.R. 3724(a)*.

Amended by R.2006 d.284, effective August 7, 2006.

See: *38 N.J.R. 1801(a)*, *38 N.J.R. 3184(c)*.

In the introductory paragraph of (a), deleted ", \$ 10 million shall be so allocated for eligible companies that operate within the boundaries of the innovation zones in each respective State fiscal year thereafter" from the end of the second sentence; in (a)3, inserted "also" in the second sentence, and added the last sentence; and in (b), substituted "applicants" for "applications".

Amended by R.2010 d.206, effective October 4, 2010.

See: *42 N.J.R. 1348(a)*, *42 N.J.R. 2322(b)*.

Rewrote the section.

Amended by R.2013 d.099, effective August 5, 2013.

See: *45 N.J.R. 1098(a)*, *45 N.J.R. 1921(b)*.

In (a)1, substituted "\$ 15,000,000" for "\$ 15 million"; in the introductory paragraph of (a)2, and in (a)2i and (a)2ii, substituted "\$ 10,000,000" for "\$ 10 million" throughout; and in (a)3iii, substituted "\$ 60,000,000" for "\$ 60 million".







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SUBCHAPTER 12. TECHNOLOGY BUSINESS TAX CERTIFICATE TRANSFER PROGRAM

*N.J.A.C. 19:31-12.8 (2015)*

§ 19:31-12.8 Recapture of tax benefits

(a) Unless excepted pursuant to (b) below, if a selling business fails to use the private financial assistance received for the surrender of tax benefits as required by this subchapter or fails to maintain a headquarters or a base of operation in the State during the five years following receipt of the private financial assistance, the seller shall forfeit and remit the face value of the tax credit certificate received for the surrender of tax benefits to the Department of Treasury in accordance with the provisions in subsections (c) and (d) below. The face value of the tax credit certificate is the amount of surrendered tax benefits.

(b) The forfeiture requirement in (a) above pertaining to the failure to maintain a headquarters or a base of operation in this State shall not be applicable if the failure is due to the liquidation of the new or expanding emerging technology or biotechnology business.

(c) In the event a selling business fails to maintain a headquarters or base of operation in the State during the five years following the receipt of the private financial assistance, the Authority will allow the selling business to retain 20 percent of the face value of the tax credit certificate for each full year the business remained in New Jersey providing the business forfeits and remits to the Department of Treasury 20 percent per year on a cumulative basis for each year the business had remaining on the five year requirement to maintain a headquarters or base of operation in New Jersey.

Examples:

Move within one year of disbursement, recapture percentage equal to 100 percent of the face value of the tax credit certificate

Move within two years of disbursement, recapture percentage equal to 80 percent of the face value of the tax credit certificate

Move within three years of disbursement, recapture percentage equal to 60 percent of the face value of the tax credit certificate

Move within four years of the disbursement, recapture percentage equal to 40 percent of the face value of the tax credit certificate

Move within five years of the disbursement, recapture percentage equal to 20 percent of the face value of the tax credit certificate

(d) In the event a selling business fails to use the tax benefits or cash benefits as required by the Act, the Authority shall require the selling business to remit to the Department of Treasury 100 percent of the amount of the unallowable expenditures.

HISTORY:

New Rule, R.2010 d.206, effective October 4, 2010.

See: *42 N.J.R. 1348(a)*, *42 N.J.R. 2322(b)*.

Amended by R.2015 d.135, effective August 17, 2015.

See: *47 N.J.R. 987(a)*, *47 N.J.R. 2186(a)*.

In (a), inserted "in subsections (c) and (d)" and the last sentence.