

CHAPTER 80

AN ACT concerning the New Jersey Innovation Evergreen Program and amending Title 34 of the Revised Statutes.

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

1. Section 21 of P.L.2020, c.156 (C.34:1B-289) is amended to read as follows:

C.34:1B-289 Definitions.

21. As used in sections 20 through 34 of P.L.2020, c.156 (C.34:1B-288 through 34:1B-302):

"Authority" means the New Jersey Economic Development Authority established by section 4 of P.L.1974, c.80 (C.34:1B-4).

"Director" means the Director of the Division of Taxation in the Department of the Treasury.

"Follow-on investment" means a subsequent investment made by an investor who has a previous investment in a New Jersey high-growth business.

"Fund" means the "New Jersey Innovation Evergreen Fund" established by section 23 of P.L.2020, c.156 (C.34:1B-291).

"Headquarters" means the single location in which the chief executive officer, chief operating officer, or other high level officers of a business directs, controls, and coordinates the activities of the business.

"High-growth business" means a business that is growing significantly faster than the average growth rate of the economy or is a start-up company that is investing in developing a product or new business model that will allow it to grow significantly faster than the average growth rate of the economy within the next three to five years.

"Incentive area" means an area in this State: (1) designated pursuant to the "State Planning Act," P.L.1985, c.398 (C.52:18A-196 et seq.), as Planning Area 1 (Metropolitan); or (2) that has been designated as a qualified opportunity zone pursuant to 26 U.S.C. s.1400Z-1.

"Innovation ecosystem" means funding, programs, and events that support the establishment and expansion of high-growth companies in targeted sectors. Examples of such funding, programs, and events include: mentoring programs for start-ups, meet-up or networking events, funding for locating a business in a collaborative workspace, programs that provide business services, and entrepreneurial education to companies.

"Opportunity zone" means a federal population census tract in this State that was eligible to be designated as a qualified opportunity zone pursuant to 26 U.S.C. s.1400Z-1 as may be amended.

"Principal business operations" means any of the following: (1) at least 50 percent of the business's employees not primarily engaged in retail sales reside in the State; (2) at least 50 percent of the business's payroll for employees not primarily engaged in retail sales is paid to individuals living in the State; (3) at least 50 percent of the business's full-time employees not primarily engaged in retail sales are filling a position in the State; (4) at least 50 percent of the business's payroll for employees not primarily engaged in retail sales is paid to full-time employees filling a position in the State; or (5) the business's headquarters is located in the State, and of all states, the largest percentage of the business's full-time employees, who are based in the United States and are not primarily engaged in retail sales, is located in New Jersey.

"Program" means the New Jersey Innovation Evergreen Program established by section 22 of P.L.2020, c.156 (C.34:1B-290).

"Purchaser" means an entity registered to do business in this State with the Director of the Division of Revenue and Enterprise Services in the Department of the Treasury that purchases an allocation of tax credits under the program.

"Qualified business" means a business that, at the time of the first qualified investment in the business and throughout the period of the qualified investment under the program, is registered to do business in this State with the Director of the Division of Revenue and Enterprise Services in the Department of the Treasury; has its principal business operations located in the State and intends to maintain its principal business operations in the State after receiving a qualified investment under the program; is engaged in a targeted industry; and employs fewer than 250 persons at the time of the qualified investment.

"Qualified investment" means the direct investment of money by the fund in a qualified business for the purchase of shares of stock, with an option to make an additional investment in an option or warrant or a follow-on investment, in the discretion of the authority, all of which is matched by an investment by a qualified venture firm.

"Qualified venture firm" means a venture firm that is approved by the authority as a qualified venture firm pursuant to section 29 of P.L.2020, c.156 (C.34:1B-297).

"Special purpose vehicle" means an entity controlled by or under common control with a venture firm that is formed solely for the purpose of investing in a New Jersey high-growth business alongside the venture firm.

"Targeted industry" means any industry identified from time to time by the authority which shall initially include advanced transportation and logistics, advanced manufacturing, aviation, autonomous vehicle and zero-emission vehicle research or development, clean energy, life sciences, hemp processing, information and high technology, finance and insurance, professional services, film and digital media, non-retail food and beverage businesses including food innovation, and other innovative industries that disrupt current technologies or business models.

"Venture firm" means a partnership, corporation, trust, or limited liability company that invests cash in a business during the early or expansion stages of a business in exchange for an equity stake in the business in which the investment is made. Venture firm may include a venture capital fund, a family office fund, or a corporate investor fund, provided that a professional manager administers the venture firm.

2. Section 22 of P.L.2020, c.156 (C.34:1B-290) is amended to read as follows:

C.34:1B-290 New Jersey Innovation Evergreen Program.

22. The New Jersey Innovation Evergreen Program is established as a program under the jurisdiction of the New Jersey Economic Development Authority. The purpose of the program is to invest in innovation as a catalyst for economic growth and to advance the competitiveness of the State's businesses in the global economy. Beginning on the effective date of sections 20 through 34 of P.L.2020, c.156 (C.34:1B-288 through C.34:1B-302), the authority shall auction up to \$300,000,000 in tax credits in annual amounts not to exceed the limitations set forth in section 98 of P.L.2020, c.156 (C.34:1B-362). The authority shall not undertake an auction if, exclusive of reserves, including the reserve set aside for follow-on investments pursuant to subsection d. of section 23 of P.L.2020, c.156 (C.34:1B-291), more than \$50,000,000 is available to the authority, from moneys received from any prior auction of tax credits pursuant to the program, to allocate to qualified venture firms.

3. Section 30 of P.L.2020, c.156 (C.34:1B-298) is amended to read as follows:

C.34:1B-298 Allocation of money to venture firms.

30. a. (1) The authority is authorized to allocate money credited to the fund to one or more qualified venture firms for qualified investments at the times, in the amounts, and subject to

the terms and conditions that the authority shall determine to be necessary and appropriate to effectuate the purposes of sections 20 through 34 of P.L.2020, c.156 (C.34:1B-288 through C.34:1B-302); provided that no more than two qualified investments shall be made with each qualified venture firm in a calendar year.

(2) Each qualified investment shall not exceed \$10,000,000 in initial investment, exclusive of follow-on investments; provided, however, if a qualified investment is in a business: (a) which utilizes intellectual property that is core to the its business model and was developed at a New Jersey-based college or university; (b) is considered a university spin-off business as determined by the authority; or (c) is certified by the State as a "minority business" or a "women's business" pursuant to P.L.1986, c.195 (C.52:27H-21.17 et seq.), then the qualified investment shall not exceed \$12,500,000 in initial investment, exclusive of follow-on investments. A qualified investment shall either: (a) match a qualified venture firm's initial investment in a qualified business for the purchase of shares of stock; or (b) in instances where the venture firm has a prior investment in the qualified business, occur at a higher valuation compared to the venture firm's prior investments into the qualified business, as established by an independent third-party valuation or through participation by a third-party investor at the same valuation as the qualified venture firm.

(3) The fund shall not invest in a qualified venture firm if the authority determines that an undue financial advantage would inure to a purchaser if the investment occurs or if the investment would be inconsistent with the investment policies and goals of the State.

(4) The authority shall have a goal for 25 percent of the fund money that is allocated to qualified venture firms to be reserved for investment in businesses located in opportunity zones.

(5) Within one year of the effective date of P.L.2020, c.156 (C.34:1B-269 et al.), the authority shall undertake a disparity study of investment by venture firms in women- and minority-owned business enterprises in this State. Based on the finding of the disparity study, the authority, following board approval, may institute a set-aside plan to ensure that fund money allocated to qualified venture firms is reserved for investment in women- and minority-owned business enterprises in this State.

b. The authority shall make and enter into an agreement with each qualified venture firm to which the authority allocates money under the program. The agreement shall include provisions that require the qualified venture firm to:

(1) make investments in qualified businesses that equal or exceed the amount of capital received by the qualified venture firm from the fund under the program;

(2) cause an audit of the qualified venture firm's books and accounts, which a certified public accountant, who is licensed in accordance with the "Accountancy Act of 1997," P.L.1997, c.259 (C.45:2B-42 et seq.), or licensed in accordance with the laws of another state, shall conduct at least once in each year in which the qualified venture firm is in receipt of fund money or in which the qualified venture firm is responsible for the management of fund money allocated to the qualified venture firm by the authority;

(3) enter into an agreement with each qualified business that receives a qualified investment, which agreement shall, at a minimum, require the qualified business to use the qualified investment of capital to support its business operations in this State and to provide the information required under section 31 of P.L.2020, c.156 (C.34:1B-299);

(4) upon the identification of a qualified investment, create a special purpose vehicle for the qualified investment of the fund;

(5) upon the identification of a qualified investment, indicate the amount of follow-on investment the authority should reserve, and periodically provide updates concerning this amount;

(6) agree that the qualified venture firm will publicize its participation in the "New Jersey Innovation Evergreen Fund;"

(7) consent to the authority publicly disclosing the qualified venture firm on the list of qualified investment firms participating in the program; and

(8) consent to the disclosure of tax expenditure information as described in paragraph (8) of subsection b. of section 1 of P.L.2009, c.189 (C.52:27B-20a).

c. A qualified venture firm that has made and entered into an agreement with the authority in accordance with subsection b. of this section is authorized to make qualified investments of capital in one or more qualified businesses from fund money allocated to the qualified venture firm by the authority at the times, in the amounts, and subject to the terms and conditions that the qualified venture firm determines to be necessary and appropriate. The authority may limit the amount of allocated fund money that a qualified venture firm invests in a qualified business based upon the size of investments the qualified business has received, the source of the investments, and the industry in which the qualified business is engaged.

4. Section 31 of P.L.2020, c.156 (C.34:1B-299) is amended to read as follows:

C.34:1B-299 Report by venture firm.

31. a. A qualified venture firm shall annually report to the authority:

(1) the amount of the qualified investment, if any, uninvested at the end of the preceding calendar year;

(2) all qualified investments made during the preceding calendar year, including the number and wages of employees of each qualified business at the time the venture firm made the qualified investment and as of December 31 of that year;

(3) for any qualified investment in which the qualified venture firm no longer has a position as of the end of the calendar year, the number of employees of the business as of the date the investment was terminated;

(4) financials, audited by a certified public accountant, who is licensed in accordance with the "Accountancy Act of 1997," P.L.1997, c.259 (C.45:2B-42 et seq.), or licensed in accordance with the laws of another state, of the qualified venture firm and the special purpose vehicle that include a consolidated summary of the performance of the qualified venture firm. Any information about the performance of an individual business, including the qualified business, shall be considered confidential and not subject to the requirements of P.L.1963, c.73 (C.47:1A-1 et seq.); and

(5) any other information the authority requires to ascertain the impact of the program on the economy of the State.

b. With respect to the information required under paragraph (4) of subsection a. of this section, the report shall include a statement prepared by a certified public accountant, who is licensed in accordance with the "Accountancy Act of 1997," P.L.1997, c.259 (C.45:2B-42 et seq.), or licensed in accordance with the laws of another state, certifying that the accountant has reviewed the report and that the information and representations contained in the report are accurate.

c. Not later than 60 days after the sale or other disposition of a qualified investment, the qualified venture firm shall provide to the authority a report on the amount of the stock sold or disposed of and the consideration received for the sale or disposition. The report shall detail the cumulative effect of sequentially introduced positive or negative values and include the gross income and details of any offsetting fees that reduce the net distribution. Any dividend or proceeds received by the authority for the sale or other disposition of a qualified investment shall be deposited into the fund and used in accordance with section 23 of P.L.2020, c.156 (C.34:1B-291).

d. A qualified venture firm shall, as required at the discretion of the authority, submit to the authority satisfactory evidence supporting the information detailed in the annual report and certifying that all information provided by the qualified venture firm to the authority is true, including information contained in the application for certification, the agreement between the qualified venture firm and authority, any amendment to that agreement, and any other information submitted by the qualified venture firm to the authority pursuant to sections 20 through 34 of P.L.2020, c.156 (C.34:1B-288 through C.34:1B-302). The qualified venture firm, or an authorized agent of the qualified venture firm, shall certify under the penalty of perjury that the information provided pursuant to this section is true.

5. Section 34 of P.L.2020, c.156 (C.34:1B-302) is amended to read as follows:

C.34:1B-302 Regulations.

34. a. Notwithstanding the provisions of the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), to the contrary, the chief executive officer of the authority may adopt, immediately, upon filing with the Office of Administrative Law, regulations that the chief executive officer deems necessary to implement the provisions of sections 20 through 34 of P.L.2020, c.156 (C.34:1B-288 through C.34:1B-302), which regulations shall be effective for a period not to exceed 180 days from the date of the filing. The chief executive officer shall thereafter amend, adopt, or readopt the regulations in accordance with the requirements of P.L.1968, c.410 (C.52:14B-1 et seq.).

b. Notwithstanding the provisions of the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), to the contrary, the chief executive officer of the authority may adopt, immediately, upon filing with the Office of Administrative Law, such regulations as the chief executive officer deems necessary to implement the provisions of P.L.2025, c.80, which regulations shall be effective for a period not to exceed 365 days from the date of the filing. The chief executive officer shall thereafter amend, adopt, or readopt the regulations in accordance with the requirements of P.L.1968, c.410 (C.52:14B-1 et seq.).

6. This act shall take effect immediately.

Approved June 30, 2025.