

ASSEMBLY, No. 2624

STATE OF NEW JERSEY

219th LEGISLATURE

INTRODUCED FEBRUARY 13, 2020

Sponsored by:

Assemblywoman CAROL A. MURPHY

District 7 (Burlington)

Assemblyman JAMEL C. HOLLEY

District 20 (Union)

Assemblyman ROBERT J. KARABINCHAK

District 18 (Middlesex)

Co-Sponsored by:

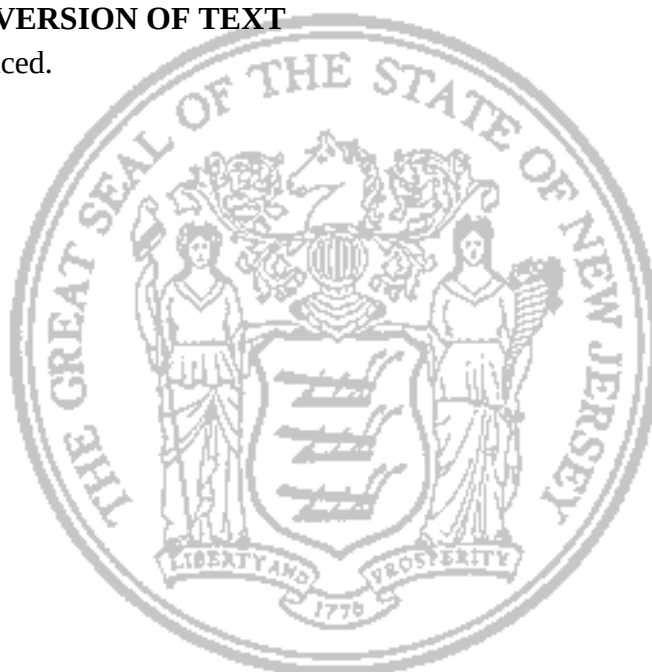
Assemblywoman Reynolds-Jackson and Assemblyman Chiaravalloti

SYNOPSIS

Establishes a manufacturing reinvestment account program to incentivize capital investment and workforce training in New Jersey with income tax rate reductions, deferrals, and accelerated deductions.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 3/5/2020)

1 AN ACT establishing a manufacturing reinvestment account
2 program, supplementing Title 54 of the Revised Statutes and
3 Title 54A of the New Jersey Statutes.

4
5 BE IT ENACTED by the Senate and General Assembly of the State
6 of New Jersey:

7
8 1. a. A qualified manufacturer shall be allowed to deduct
9 against entire net income for the privilege period the amount
10 contributed to a manufacturing reinvestment account in the
11 privilege period. The deduction allowed pursuant to this subsection
12 for a privilege period shall not exceed \$100,000. Amounts
13 contributed and deducted pursuant to this subsection shall not be
14 eligible for deduction or capitalization upon disposition in a
15 qualified reinvestment expenditure or otherwise.

16 b. (1) To the extent not distributed from a manufacturing
17 reinvestment account in the privilege period, a qualified
18 manufacturer's entire net income shall not include earnings on a
19 manufacturing reinvestment account contribution or accrued
20 deposit.

21 (2) To the extent distributed and used for a qualified
22 reinvestment expenditure in the privilege period, deposits shall not
23 be treated as entire net income and earnings from a manufacturing
24 reinvestment account shall be included in entire net income, but the
25 earnings shall be subject to one-half of the rate of tax imposed
26 pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5), except that
27 this rate reduction shall not apply to the computation of minimum
28 tax due. All other distributions of deposits and earnings from a
29 manufacturing reinvestment account shall be included in a qualified
30 manufacturer's entire net income subject to the tax imposed
31 pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5).

32 c. (1) To qualify for the tax benefits allowed pursuant to this
33 section a taxpayer shall not deposit more than \$100,000 in the
34 manufacturing reinvestment account for a privilege period. A
35 taxpayer shall not be allowed more than one manufacturing
36 reinvestment account. The tax benefits associated with a
37 manufacturing reinvestment account shall only apply to the five
38 consecutive privilege periods beginning with the privilege period in
39 which the taxpayer first makes a deposit to the manufacturing
40 reinvestment account. Amounts remaining in a manufacturing
41 reinvestment account after the fifth privilege period shall be deemed
42 to be distributed and previously not included earnings shall be
43 included in entire net income subject to the tax imposed pursuant to
44 section 5 of P.L.1945, c.162 (C.54:10A-5).

45 (2) The amount of a qualified reinvestment expenditure
46 distribution from a manufacturing reinvestment account
47 representing previously not included account earnings to be
48 included in entire net income for the privilege period of distribution

1 and subject to the reduced rate of taxation allowed by this section
2 shall be determined by applying the percentage that the total
3 distribution represents of the total amount deposited by the taxpayer
4 into the manufacturing reinvestment account to the date of the
5 distribution against the total amount of previously not included
6 earnings in the manufacturing reinvestment account to the date of
7 the distribution.

8 (3) The Director of the Division of Taxation in the Department
9 of the Treasury shall prescribe basis adjustments for qualified
10 reinvestment expenditure items to the extent required and the order
11 of application of deductions against entire net income relative to the
12 rate reduction allowed pursuant to this section.

13 d. As used in this section:

14 “Manufacturing reinvestment account” means an interest bearing
15 account that solely accepts cash deposits, which is held by a New
16 Jersey bank.

17 “Manufacturing facility” means a commercial product
18 production or assembly site located in New Jersey.

19 “New Jersey bank” means a financial institution located and
20 authorized to conduct business, by the New Jersey Department of
21 Banking and Insurance, in New Jersey.

22 “Qualified reinvestment expenditure” means the use of a
23 manufacturing reinvestment account distribution to make payment
24 for: (i) machinery or equipment for use in the taxpayer’s
25 manufacturing facility; or (ii) New Jersey personnel workforce
26 training, development, or expansion at the taxpayer’s manufacturing
27 facility.

28 “Qualified manufacturer” means a taxpayer that is in a line of
29 business involving manufacturing, is in good standing with respect
30 to State tax responsibilities, and employs no more than fifty
31 employees.

32
33 2. a. A qualified manufacturer shall be allowed to deduct
34 against gross income for the taxable year the amount contributed to
35 a manufacturing reinvestment account in the taxable year. The
36 deduction allowed pursuant to this subsection for a taxable year
37 shall not exceed \$100,000. Amounts contributed and deducted
38 pursuant to this subsection shall not be eligible for deduction or
39 capitalization upon disposition in a qualified reinvestment
40 expenditure or otherwise.

41 b. (1) To the extent not distributed from a manufacturing
42 reinvestment account in the taxable year, a qualified manufacturer’s
43 gross income shall not include earnings on a manufacturing
44 reinvestment account contribution or accrued deposit.

45 (2) To the extent distributed and used for a qualified
46 reinvestment expenditure in the taxable year, deposits shall not be
47 treated as gross income and earnings from a manufacturing
48 reinvestment account shall be included in gross income, but the

1 earnings shall be subject to one-half of the rate of tax imposed
2 pursuant to N.J.S.54A:2-1 with the earnings allocated to the
3 taxpayer's highest tax rate. All other distributions of deposits and
4 earnings from a manufacturing reinvestment account shall be
5 included in a qualified manufacturer's gross income subject to the
6 tax imposed pursuant to the "New Jersey Gross Income Tax Act,"
7 N.J.S.54A:1-1 et seq.

8 c. (1) To qualify for the tax benefits allowed pursuant to this
9 section a taxpayer shall not deposit more than \$100,000 in the
10 manufacturing reinvestment account for a taxable year. A taxpayer
11 shall not be allowed more than one manufacturing reinvestment
12 account. The tax benefits associated with a manufacturing
13 reinvestment account shall only apply to the five consecutive
14 taxable years beginning with the taxable year in which the taxpayer
15 first makes a deposit to the manufacturing reinvestment account.
16 Amounts remaining in a manufacturing reinvestment account after
17 the fifth taxable year shall be deemed to be distributed and
18 previously not included earnings shall be included in gross income
19 subject to the tax imposed pursuant to the "New Jersey Gross
20 Income Tax Act," N.J.S.54A:1-1 et seq.

21 (2) The amount of a qualified reinvestment expenditure
22 distribution from a manufacturing reinvestment account
23 representing previously not included account earnings to be
24 included in gross income for the taxable year of distribution and
25 subject to the reduced rate of taxation allowed by this section shall
26 be determined by applying the percentage that the total distribution
27 represents of the total amount deposited by the taxpayer into the
28 manufacturing reinvestment account to the date of the distribution
29 against the total amount of previously not included earnings in the
30 manufacturing reinvestment account to the date of the distribution.

31 (3) The Director of the Division of Taxation in the Department
32 of the Treasury shall prescribe basis adjustments for qualified
33 reinvestment expenditure items to the extent required and the order
34 of application of deductions against gross income relative to the rate
35 reduction allowed pursuant to this section.

36 d. As used in this section:

37 "Manufacturing reinvestment account" means an interest bearing
38 account that solely accepts cash deposits, which is held by a New
39 Jersey bank.

40 "Manufacturing facility" means a commercial product
41 production or assembly site located in New Jersey.

42 "New Jersey bank" means a financial institution located and
43 authorized to conduct business, by the New Jersey Department of
44 Banking and Insurance, in New Jersey.

45 "Qualified reinvestment expenditure" means the use of a
46 manufacturing reinvestment account distribution to make payment
47 for: (i) machinery or equipment for use in the taxpayer's
48 manufacturing facility; or (ii) New Jersey personnel workforce

1 training, development, or expansion at the taxpayer's manufacturing
2 facility.

3 "Qualified manufacturer" means a taxpayer that is in a line of
4 business involving manufacturing, is in good standing with respect
5 to State tax responsibilities, and employs no more than fifty
6 employees.

7
8 3. This act shall take effect immediately and apply to privilege
9 periods and taxable years beginning on or after the date of
10 enactment.

11 12 13 STATEMENT

14
15 This bill establishes a manufacturing reinvestment account
16 program to incentivize capital investment and workforce training in
17 New Jersey through the use of income tax rate reductions, deferrals,
18 and accelerated deductions. The purpose of this bill is to make it
19 easier for New Jersey's small businesses to invest in manufacturing
20 machinery, equipment, and workforce development.

21 The bill offers three incentives for New Jersey's small
22 manufacturing businesses through the gross income tax and
23 corporation business tax: (i) an accelerated deduction for amounts
24 deposited in a manufacturing reinvestment account for future use on
25 qualified capital purchases and workforce training; (ii) deferred
26 taxation on account earnings; and (iii) a rate reduction for the
27 earnings on account deposits upon distribution. The bill is
28 structured to offer these incentives through one manufacturing
29 reinvestment account program.

30 The bill's manufacturing reinvestment account program allows
31 qualified manufactures to make a deductible deposit of up to
32 \$100,000 annually in an account for five years. Earnings in the
33 account are not taxed until withdrawn. For withdrawals made
34 during the account's five-year life for spending on New Jersey
35 based manufacturing equipment, machinery, or workforce
36 development, a qualified manufacturer receives a one-half rate
37 reduction on the withdrawn account earnings. Nonqualified
38 withdrawals are included in whole in taxable income without the
39 rate reduction on earnings.

40 To qualify for the manufacturing reinvestment account program,
41 the bill requires a manufacturer to have no more than 50 employees
42 and be in good tax standing. The bill restricts qualified
43 manufacturing reinvestment accounts to those accounts offered by
44 financial institutions in New Jersey to accept solely cash deposits
45 and bear interest.

46 The bill is scheduled to take effect immediately and apply to tax
47 years beginning on or after the date of enactment.