

[First Reprint]

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:

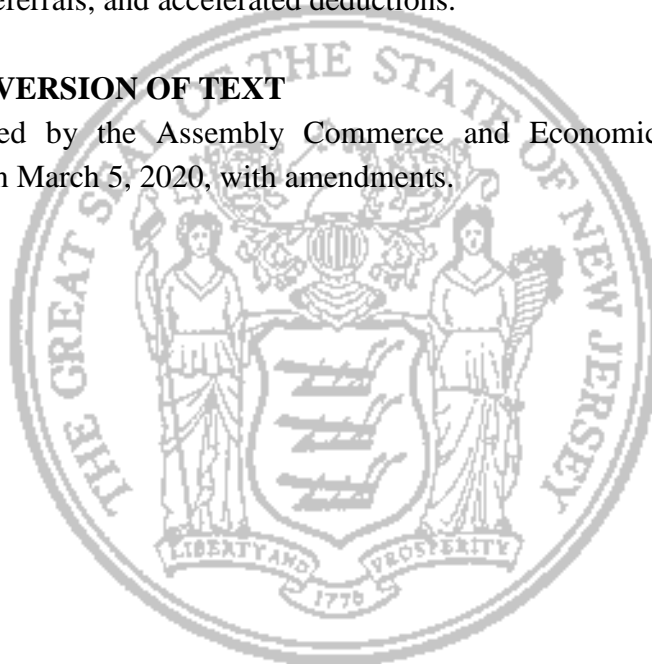
Assemblywoman Reynolds-Jackson and Assemblyman Chiaravalloti

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 reported by the Assembly Commerce and Economic Development Committee on March 5, 2020, with amendments.



(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 ^{1,1} and earnings from a
24 manufacturing reinvestment account shall be included in entire net
25 income, but the earnings shall be subject to one-half of the rate of
26 tax imposed pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5),
27 except that this rate reduction shall not apply to the computation of
28 minimum tax due. All other distributions of deposits and earnings
29 from a manufacturing reinvestment account shall be included in a
30 qualified manufacturer's entire net income subject to the tax
31 imposed 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).

EXPLANATION – Matter enclosed in bold-faced brackets **[thus]** in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹Assembly ACE committee amendments adopted March 5, 2020.

1 (2) The amount of a qualified reinvestment expenditure
2 distribution from a manufacturing reinvestment account
3 representing previously not included account earnings to be
4 included in entire net income for the privilege period of distribution
5 and subject to the reduced rate of taxation allowed by this section
6 shall be determined by applying the percentage that the total
7 distribution represents of the total amount deposited by the taxpayer
8 into the manufacturing reinvestment account to the date of the
9 distribution against the total amount of previously not included
10 earnings in the manufacturing reinvestment account to the date of
11 the distribution.

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

17 d. ¹The Department of the Treasury shall establish criteria and
18 guidelines to qualify a manufacturer so that the manufacturers may
19 establish a reinvestment account pursuant to the provisions of this
20 section.

21 e.¹ As used in this section:

22 ¹["Manufacturing reinvestment account" means an interest
23 bearing account that solely accepts cash deposits, which is held by a
24 New Jersey bank.

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

27 "New Jersey bank" means a financial institution located and
28 authorized to conduct business, by the New Jersey Department of
29 Banking and Insurance, in New Jersey.

30 "Qualified reinvestment expenditure" means the use of a
31 manufacturing reinvestment account distribution to make payment
32 for: (i) machinery or equipment for use in the taxpayer's
33 manufacturing facility; or (ii) New Jersey personnel workforce
34 training, development, or expansion at the taxpayer's manufacturing
35 facility.

36 "Qualified manufacturer" means a taxpayer that is in a line of
37 business involving manufacturing, is in good standing with respect
38 to State tax responsibilities, and employs no more than fifty
39 employees.】

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

42 "Manufacturing reinvestment account" means an interest bearing
43 account that solely accepts cash deposits, which is held by a New
44 Jersey financial institution.

45 "New Jersey financial institution" means a State or federally
46 chartered bank, savings bank, savings and loan association, or credit
47 union with an office in this State.

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

5 “Qualified reinvestment expenditure” means the use of a
6 manufacturing reinvestment account distribution to make payment
7 for: (1) machinery or equipment for use in the taxpayer’s
8 manufacturing facility; or (2) New Jersey personnel workforce
9 training, development, or expansion at the taxpayer’s manufacturing
10 facility.¹

11
12 2. a. A qualified manufacturer shall be allowed to deduct
13 against gross income for the taxable year the amount contributed to
14 a manufacturing reinvestment account in the taxable year. The
15 deduction allowed pursuant to this subsection for a taxable year
16 shall not exceed \$100,000. Amounts contributed and deducted
17 pursuant to this subsection shall not be eligible for deduction or
18 capitalization upon disposition in a qualified reinvestment
19 expenditure or otherwise.

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

24 (2) To the extent distributed and used for a qualified
25 reinvestment expenditure in the taxable year, deposits shall not be
26 treated as gross income ^{1,1} and earnings from a manufacturing
27 reinvestment account shall be included in gross income, but the
28 earnings shall be subject to one-half of the rate of tax imposed
29 pursuant to N.J.S.54A:2-1 with the earnings allocated to the
30 taxpayer’s highest tax rate. All other distributions of deposits and
31 earnings from a manufacturing reinvestment account shall be
32 included in a qualified manufacturer’s gross income subject to the
33 tax imposed pursuant to the “New Jersey Gross Income Tax Act,”
34 N.J.S.54A:1-1 et seq.

35 c. (1) To qualify for the tax benefits allowed pursuant to this
36 section a taxpayer shall not deposit more than \$100,000 in the
37 manufacturing reinvestment account for a taxable year. A taxpayer
38 shall not be allowed more than one manufacturing reinvestment
39 account. The tax benefits associated with a manufacturing
40 reinvestment account shall only apply to the five consecutive
41 taxable years beginning with the taxable year in which the taxpayer
42 first makes a deposit to the manufacturing reinvestment account.
43 Amounts remaining in a manufacturing reinvestment account after
44 the fifth taxable year shall be deemed to be distributed and
45 previously not included earnings shall be included in gross income
46 subject to the tax imposed pursuant to the “New Jersey Gross
47 Income Tax Act,” N.J.S.54A:1-1 et seq.

1 (2) The amount of a qualified reinvestment expenditure
2 distribution from a manufacturing reinvestment account
3 representing previously not included account earnings to be
4 included in gross income for the taxable year of distribution and
5 subject to the reduced rate of taxation allowed by this section shall
6 be determined by applying the percentage that the total distribution
7 represents of the total amount deposited by the taxpayer into the
8 manufacturing reinvestment account to the date of the distribution
9 against the total amount of previously not included earnings in the
10 manufacturing reinvestment account to the date of the distribution.

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

16 d. 'The Department of the Treasury shall establish criteria and
17 guidelines to qualify manufacturers so that the manufacturers may
18 establish a reinvestment account pursuant to the provisions of this
19 section.

20 e.¹ As used in this section:

21 ¹["Manufacturing reinvestment account" means an interest
22 bearing account that solely accepts cash deposits, which is held by a
23 New Jersey bank.

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25 production or assembly site located in New Jersey.

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27 authorized to conduct business, by the New Jersey Department of
28 Banking and Insurance, in New Jersey.

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30 manufacturing reinvestment account distribution to make payment
31 for: (i) machinery or equipment for use in the taxpayer's
32 manufacturing facility; or (ii) New Jersey personnel workforce
33 training, development, or expansion at the taxpayer's manufacturing
34 facility.

35 "Qualified manufacturer" means a taxpayer that is in a line of
36 business involving manufacturing, is in good standing with respect
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38 employees. **】**

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4 manufacturing reinvestment account distribution to make payment
5 for: (1) machinery or equipment for use in the taxpayer’s
6 manufacturing facility; or (2) New Jersey personnel workforce
7 training, development, or expansion at the taxpayer’s manufacturing
8 facility.¹

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