

ASSEMBLY COMMERCE AND ECONOMIC DEVELOPMENT COMMITTEE

STATEMENT TO **ASSEMBLY, No. 2624**

with committee amendments

STATE OF NEW JERSEY

DATED: MARCH 5, 2020

The Assembly Commerce and Economic Development Committee reports favorably Assembly Bill No. 2624, with committee amendments.

As amended, this bill would establish the manufacturing reinvestment account program for the purpose of making it easier for New Jersey's small manufacturing businesses to invest in manufacturing machinery and equipment, and in workforce development. The bill would incentivize capital investment and workforce training in New Jersey through the use of tax reductions, deferrals, and deductions.

The program would be available to manufacturing businesses that are current on their State tax obligations and which have 50 or fewer employees.

The bill establishes three types of incentives for qualified businesses through the gross income tax and the corporation business tax:

(1) a tax deduction for amounts deposited in a manufacturing reinvestment account for future use on qualified capital purchases and workforce training;

(2) deferred taxation on account earnings; and

(3) a rate reduction for the earnings on account deposits, upon distribution.

Under the program, a small manufacturing business may deposit up to \$100,000 in a manufacturing reinvestment account annually for up to five years. Earnings in an account are not taxed until withdrawn. For withdrawals made during an account's five-year life for spending on New Jersey based manufacturing equipment, machinery, or workforce development, the business would receive a one-half rate reduction on the withdrawn account earnings. Nonqualified withdrawals are included in whole in taxable income without the rate reduction on earnings.

COMMITTEE AMENDMENTS:

The committee amended the bill to: (1) expand the types of financial institutions that may hold a manufacturing reinvestment account; (2) direct the Department of the Treasury to establish a process to qualify manufacturers to participate in the program; and (3) make a technical correction.