

ASSEMBLY, No. 636

STATE OF NEW JERSEY

220th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2022 SESSION

Sponsored by:

Assemblyman CRAIG J. COUGHLIN

District 19 (Middlesex)

SYNOPSIS

Provides corporation business tax credit for certain investment in manufacturing equipment and manufacturing facility renovation, modernization, and expansion, or hiring and training of new employees for manufacturing purposes.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 **AN ACT** providing a corporation business tax credit for certain
2 investment in manufacturing equipment and manufacturing
3 facility renovation, modernization and expansion, or the hiring
4 and training of new employees for manufacturing purposes, and
5 supplementing P.L.1945, c.162 (C.54:10A-1 et seq.).
6

7 **BE IT ENACTED** *by the Senate and General Assembly of the State*
8 *of New Jersey:*
9

10 1. a. For privilege periods commencing on or after January 1,
11 2014 but before January 1, 2016, a taxpayer shall be allowed a
12 credit against the tax imposed pursuant to section 5 of P.L.1945,
13 c.162 (C.54:10A-5), in an amount equal to 10% of the amount paid
14 during the privilege period for:

15 (1) new manufacturing equipment installed at a new or existing
16 manufacturing facility located within a State-designated Smart
17 Growth Area, or

18 (2) the acquisition, construction, reconstruction, installation, or
19 erection of improvements or additions that result in the renovation,
20 modernization, or expansion of a manufacturing facility located
21 within a State-designated Smart Growth Area, or

22 (3) the employment of any new full-time employee hired and
23 retained for no less than 365 days after the effective date of this act,
24 and who receives qualified manufacturing related job training
25 within six months of employment. For the purposes of this
26 paragraph, "full time employee" shall not include an employee who
27 is a resident of another state and whose income is not subject to the
28 "New Jersey Gross Income Tax Act," N.J.S.54A:1-1 et seq., unless
29 that state has entered into a reciprocity agreement with the State of
30 New Jersey. An employer shall receive the greater of 10% of the
31 cost of training, salary, and benefits, which shall include medical
32 and pension contributions paid by the employer, or the deduction to
33 which the employer would be entitled under existing law.

34 An unused credit may be carried forward, if necessary, for use in
35 the seven privilege periods following the privilege period for which
36 the credit is allowed.

37 b. Credit shall not be allowed under P.L.1993, c.170
38 (C.54:10A-5.4 et seq.), P.L.1993, c.171 (C.54:10A-5.16 et al.),
39 P.L.1993, c.175 (C.54:10A-5.24), or P.L.2001, c.321 (C.54:10A-
40 5.31 et seq.) for expenditures for which a credit is allowed pursuant
41 to subsection a. of this section.

42 c. The order of the application of the credit allowed under
43 subsection a. of this section and any other credits allowed by law
44 shall be based on the order in which completed applications are
45 received by the Department of the Treasury. The amount of the
46 credit applied under this section against the tax imposed pursuant to
47 section 5 of P.L.1945, c.162 (C.54:10A-5) for a privilege period,
48 together with any other credits allowed against the tax imposed

1 pursuant to section 5 of P.L.1945, c.162 (C.54:10A-5), shall not
2 exceed 50% of the tax liability otherwise due and shall not reduce
3 the tax liability to an amount less than the statutory minimum
4 provided in subsection (e) of section 5 of P.L.1945, c.162
5 (C.54:10A-5).

6 d. As used in this section:

7 "Manufacturing equipment" means machinery, apparatus, or
8 equipment used in the production of tangible personal property that
9 is eligible for the sales tax exemption pursuant to subsection a. of
10 section 25 of P.L.1980, c.105 (C.54:32B-8.13);

11 "Smart growth area" means Planning Area 1 (Metropolitan),
12 Planning Area 2 (Suburban), or a designated center or designated
13 growth center in an endorsed plan; a smart growth area and
14 planning area designated in a master plan adopted by the New
15 Jersey Meadowlands Commission pursuant to subsection (i) of
16 section 6 of P.L.1968, c.404 (C.13:17-6); a growth area designated
17 in the comprehensive management plan adopted pursuant to section
18 7 of the "Pinelands Protection Act," P.L.1979, c.111 (C.13:18A-8);
19 any area designated for growth in the Highlands regional master
20 plan adopted by the Highlands Water Protection and Planning
21 Council pursuant to P.L.2004, c.120 (C.13:20-1 et al.); a transit
22 village; an urban enterprise zone designated pursuant to P.L.1983,
23 c.303 (C.52:27H-60 et seq.) or P.L.2001, c.347 (C.52:27H-66.2 et
24 al.); an area determined to be in need of redevelopment or
25 rehabilitation pursuant to P.L.1992, c.79 (C.40A:12A-1 et al.) and
26 as approved by the Department of Community Affairs; any area on
27 which a green building conversion redevelopment project is located;
28 and federally owned land approved for closure under a federal Base
29 Realignment Closing Commission action;

30 "Manufacturing facility" means a business location, including
31 but not limited to a factory, mill, or plant, at which more than 50%
32 of the business personal property that is housed in the facility is
33 manufacturing equipment; and

34 "Qualified manufacturing related job training" means (1)
35 occupational skills training or classroom instruction in performing a
36 job within the manufacturing industry that the trainee receives or
37 shall have received as an enrolled student at a county vocational
38 school or county college in this State, or at any other institution of
39 post-secondary education located in this State possessing such
40 accreditation as the Director of the Division of Taxation in the
41 Department of the Treasury shall require, or (2) on-the-job training
42 in such a job at premises located in this State owned and operated
43 by the trainee's employer.

44 On or before January 1, 2017, the Director of the Division of
45 Taxation in the Department of the Treasury shall prepare and
46 submit a report to the Governor and the Legislature, in accordance
47 with section 2 of P.L.1991, c.164 (C.52:14-19.1), addressing the
48 credits allowed pursuant to subsection a. of this section. The report

1 shall include the total value of credits allowed for each tax year, the
2 total number of qualified employees for which a credit was allowed
3 for each tax year, information on the division's experience in
4 administering the credits allowed pursuant to subsection a. of this
5 section, including, but not limited to, a description of increased
6 workload associated with the credit, and an analysis as to the
7 effectiveness of the credits as an incentive for encouraging the
8 employment of new manufacturing employees.

9
10 2. This act shall take effect immediately and apply to amounts
11 paid in privilege periods beginning after the date of enactment.
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14 STATEMENT

15
16 This bill allows a taxpayer to apply for a corporation business
17 tax credit equal to either:

- 18 • 10% of the costs of new manufacturing equipment installed at a
19 new or existing manufacturing facility located in a Smart
20 Growth Area within this State, or
- 21 • 10% of the costs of improvements or additions that result in the
22 renovation, modernization, or expansion of a manufacturing
23 facility located in a Smart Growth Area, or
- 24 • with respect to the employment of any new full-time employee
25 hired and retained for at least 365 days following the effective
26 date of the bill, the greater of 10% of the costs of training,
27 salary, and benefits, including employer paid medical and
28 pension contributions, or the deduction to which the employer
29 would be entitled under existing law.

30 The bill provides that expenditures in Smart Growth Areas for
31 manufacturing equipment and manufacturing facility renovation,
32 modernization, and expansion for which a credit is allowed under
33 this bill will not be expenditures for which a credit will be allowed
34 under the New Jobs Investment Tax Credit, the Manufacturing and
35 Employment Investment Tax Credit, the Research and Development
36 Credit, or the Effluent Treatment and Conveyance Equipment
37 Credit.

38 The bill defines "manufacturing equipment" as machinery,
39 apparatus, or equipment used in the production of tangible personal
40 property that is eligible for the sales tax exemption for
41 manufacturing equipment. That is machinery, apparatus, or
42 equipment for use or consumption directly and primarily in the
43 production of tangible personal property by manufacturing,
44 processing, assembling, or refining, whose use is not incidental to
45 those activities, and which has a useful life of more than one year.
46 The bill defines a "manufacturing facility" as a business location,
47 including but not limited to a factory, mill, or plant, at which more
48 than 50% of the business personal property that is housed in the

1 facility is manufacturing equipment.

2 "Qualified manufacturing related job training" that would be
3 eligible for a credit under the bill includes instruction through a
4 county vocational school or county college within the State,
5 instruction through any institution of post-secondary education
6 located in the State that is accredited for this purpose by the
7 Director of the Division of Taxation in the Department of the
8 Treasury, and on-the-job training at sites within the State that are
9 owned and operated by the trainee's employer.

10 The bill also requires the Director of the Division of Taxation to
11 submit a report to the Governor and the Legislature, on or before
12 January 1, 2017, that includes a description of any increased
13 departmental workload associated with administering the credit and
14 an analysis of the effectiveness of the credit as an incentive for
15 encouraging the employment of new manufacturing employees.