ON MAY 5, GOVERNOR CHRISTIE SIGNED INTO LAW AN AMENDMENT TO THE NEW JERSEY ANGEL INVESTOR TAX CREDIT ACT, a 2013 statute which has the goal of encouraging investment in New Jersey businesses in the emerging technology sector. An “emerging technology” business is one that is performing research, conducting pilot-scale manufacturing or pursuing the commercialization of technology in any of the following industries: advanced computing, advanced materials, biotechnology, electronic device technology, information technology, life sciences, medical device technology, mobile communications technology or renewable energy technology. The 2017 amendments expanded the definition of “emerging technology” to incorporate “carbon footprint reduction technology,” which includes energy efficiency, renewable or non-carbon-emitting and carbon emissions abatement technology.

The law encourages investments in qualifying companies by granting a tax credit up to $500,000 per tax year to the “angel” investor, which can be an individual, a partnership or a corporation. The credit is limited to 10 percent of the investment but in certain circumstances may be carried forward for use in future years, and there is flexibility in who can take advantage of the credits. A qualifying investment can be a cash infusion, as well as research or production agreements, transactions in exchange for stock or other ownership interest in the startup venture, purchases of licenses, marketing rights or similar types of arrangements. Investments need not be made to the startup directly, but can be made to a holding company which has the rights or power to control the startup. There are, of course, hoops to jump through, fine print to read, qualifications to meet and fees to be paid in order to qualify for the tax credits. The New Jersey Economic Development Authority (EDA) oversees the application process and monitors compliance.

This renewed commitment to rewarding investors in technology startups underscores the belief that the future of New Jersey’s economy is tied to the state’s ability to grow and keep technology-based jobs. Preliminary studies of other states that have enacted similar legislation—while acknowledging the loss of tax revenue—have concluded that encouraging this type of investment does lead to the direct creation of jobs. We therefore have reason to be optimistic in New Jersey that new investment will be attracted for these nascent industries.

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