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New Jersey "Angel" Tax Credit Seeks To Spur Emerging Technology Investment

Angel investors can receive a new tax credit for investments in New Jersey emerging technology companies.

Under the New Jersey Angel Investor Tax Credit Act (the "Act"), angel investors?-- wealthy corporate or individual taxpayers who invest cash in high-risk startups?-- can defray New Jersey corporation business or gross income taxes for privilege periods or taxable years beginning on or after January 1, 2012. The new legislation, signed by the governor on January 31, provides for a tax credit of up to 10 percent of angel investors' qualified investment in New Jersey emerging technology companies with fewer than 225 employees, where at least 75 percent of those positions are located in New Jersey.

The maximum credit allowed to a taxpayer in any tax year is $500,000. The state will refund excess credit to an individual taxpayer. A corporate taxpayer can choose to either receive a refund of excess credit or carry over the excess credit for 15 years. The New Jersey Economic Development Authority in consultation with the Director of the Division of Taxation will approve taxpayer applications for the credit. There is a $25 million cap annually on all credits that the Economic Development Authority will approve.

The Act is aimed at spurring New Jersey job creation, technological innovation and corporate growth. Qualifying investments must be made in emerging technology companies that are involved in technology research, manufacturing or sales within the state. Specifically, recipient companies must have research expenses paid or incurred for research conducted in New Jersey, conduct pilot scale manufacturing in New Jersey or conduct technology commercialization in New Jersey in the fields of advanced computing, advanced materials, biotechnology, electronic device technology, information technology, life sciences, medical device technology, mobile communications technology or renewable energy technology.

The Act is designed to incentivize private investment in New Jersey's emerging technology entrepreneurial businesses. Although he vetoed a similar bill in 2011, Gov. Christie praised the new legislation for securing New Jersey's leadership in industries such as pharmaceuticals, life sciences and information technology, as well as for creating high-skill, high-wage jobs that flow from those industries. Supporters of the Act believe that focusing investment on startups in these fields will be important for the state's future and that the program will also help reduce New Jersey's unemployment rate, which is currently approximately 2 percent above the national average of 7.8 percent and is the fourth-highest in the country.