

BUSINESS TAX COUNSELING & STRUCTURING

NEW JERSEY ENACTS TAX CREDIT FOR ANGEL INVESTORS

By: Brian Silikovitz, Esq., Richard Horne, Esq., and Andrew Segna, Esq.

On January 31, 2013, Governor Chris Christie signed into law the [New Jersey Angel Investor Tax Credit Act](#) (the "Act"), which is intended to incentivize investment in New Jersey technology businesses. The Act provides tax credits retroactively to January 1, 2012, for investments in emerging technology companies.

The Act allows Angel investors a credit against their New Jersey corporate or gross income taxes equal to 10% of a qualified investment in a New Jersey emerging technology business. A "qualified investment" is a nonrefundable cash transfer to a New Jersey emerging technology business by a taxpayer who is not related to the business. The transfer must be: (1) in exchange for stock, interests in partnerships or joint ventures, licenses, rights to use technology, marketing rights, warrants, options, or any similar items, including options or rights to acquire one of the listed rights; or (2) in connection with a purchase, production or research agreement.

A "New Jersey emerging technology business" is a company with fewer than 225 employees with at least 75% of them located in New Jersey that (1)

has qualified research expenses paid or incurred for research conducted in New Jersey, (2) conducts pilot scale manufacturing in New Jersey, or (3) conducts technology commercialization in New Jersey. These activities must be conducted in at least one of the following fields: advanced computing, advanced materials, biotechnology, electronic device technology, information technology, life sciences, medical device technology, mobile communications technology or renewable energy technology.

The New Jersey Economic Development Authority must approve the taxpayer's application for the credit. Only \$25 million in total credits may be approved for each calendar year. The maximum allowed credit is \$500,000 for each qualified investment made by a taxpayer each tax year. For corporate investors, the credit is applied against their corporate business tax liability, and any excess credit may be carried over for 15 subsequent tax years or refunded. For individuals, the credit is applied against their gross income tax liability, and any excess credit is refunded.

contacts

Please contact any of the attorneys below for more information on this matter.

Brian Silikovitz
973 597 2562
bsilikovitz@lowenstein.com

Richard J. Horne
646 414 6854
rhorne@lowenstein.com

Andrew A. Segna
973 597 6214
asegna@lowenstein.com

www.lowenstein.com

New York
1251 Avenue of the Americas
New York, NY 10020
212 262 6700

Palo Alto
390 Lytton Avenue
Palo Alto, CA 94301
650 433 5800

Roseland
65 Livingston Avenue
Roseland, NJ 07068
973 597 2500

Lowenstein Sandler makes no representation or warranty, express or implied, as to the completeness or accuracy of this Client Alert and assumes no responsibility to update the Client Alert based upon events subsequent to the date of its publication, such as new legislation, regulations, and judicial decisions. Readers should consult legal counsel of their own choosing to discuss how these matters may relate to their individual circumstances.