



NJ Angel Investor Tax Credit Program

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new jersey
Highly educated, perfectly located.



Angel Investor Tax Credit Program

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Program Overview

10% refundable tax credit to investors of eligible NJ Emerging Technology Companies

IF YOU ARE: An individual or entity that invested in a qualifying New Jersey emerging technology business with fewer than 225 employees, of which at least 75% of whom work in New Jersey

YOU CAN APPLY FOR: A **refundable** tax credit in the amount of 10% of the qualified investment, up to a maximum allowed tax credit of \$500,000 for each qualified investment

Investors do not need to be NJ residents, nor have any NJ tax liabilities to take advantage of this program. However, the investor is required to file NJ taxes in order to use the credit

Out of state investors should consult with their financial advisors regarding potential NJ tax liabilities

Investor Criteria

- All investors, including company founders, can apply for the Angel Investor Tax Credit, so long as they own less than 80% of the company (before investment)
- Partnerships, LLC's, Venture Funds, Angel Funds and Accelerators can apply on behalf of all LP's
 - Tax Credits will pass through and be distributed according to each member's ownership percentage
 - *For example, an LLC with 3 members (2 individuals, and a limited partnership – each receiving equal portions of the LLC's total distributive income) made a \$600,000 Qualified Investment and a \$60,000 tax credit was approved. The two individual members of the LLC would each receive tax credit certificates in the amount of \$20,000. The third member, the limited partnership, has two individual partners, each receiving equal portions of the LLC's total distributive income. Accordingly, their \$20,000 portion of the tax credit will be split equally among them and each will receive a \$10,000 tax credit certificate.*

Investment Eligibility

- Qualified investments include non-refundable transfers of cash made directly to the New Jersey emerging technology business in connection with at least one of the following items:
 - Stock, interests in partnerships or joint ventures, licenses, rights to use technology, marketing rights, warrants, options, or any similar items
 - Purchase, production, or research agreement
- To be considered non-refundable, these items must be held or not expire for at least two calendar years from the date of the transfer of cash, with an exception being made for initial public offerings (IPOs), mergers and acquisitions, damage awards for the business's default of an agreement, or other return of initial cash outlay beyond the investor's control

Technology Company Eligibility

To be eligible, the New Jersey emerging technology business must meet the following four criteria at the time of investment, and for 6 months or date of application – whichever comes first:

- Employs fewer than 225 full-time employees, of which at least 75% of whom work at least 80% of the time in New Jersey
 - In order to be considered a full-time employee, an employee must be either a full-time employee whose wages are subject to tax withholding, a partner of an LLC that works full-time and shares in the gains or losses of the company, or a person employed under a formal written agreement with an institution of higher education
 - Companies are required to have at least one person that meets the definition of a full-time employee
- Does business, employs or owns capital or property, or maintains an office in New Jersey

Technology Company Eligibility (*continued*)

- Conducts at least one of the following activities in New Jersey:
 - Incurs qualified research expenses in the state
 - Conducts pilot scale manufacturing in the state
 - Commercializes one or more of the following eligible technologies in the State: *Advanced Computing, Advanced Materials, Biotechnology, Electronic Devices, Information Technology, Life Sciences, Medical Devices, Mobile Communications, and Renewable Energy Technology*
- Has an eligible technology as its primary business

Technology Definitions

- *Advanced Computing* – technology used in the designing and developing of computing hardware and software
- *Advanced Materials* – materials with engineered properties created through the development of specialized processing and synthesis technology
- *Biotechnology* – continually expanding body of fundamental knowledge about the functioning of biological systems, as well as novel products, services, and technologies developed
- *Electronic Device Technology* – technology involving microelectronics, semiconductors, electronic equipment, radio frequency, microwave, optical, digital communications, and imaging devices
- *Information Technology* – software publishing, video and television production, telecommunications, data processing, hosting services, custom computer programming services, computer system design, computer facilities management services, and computer training

Technology Definitions (*continued*)

- *Life Sciences* – production of medical equipment, ophthalmic goods, medical or dental instruments, diagnostic substances, biopharmaceutical products, and physical and biological research
- *Medical Device Technology* – technology involving any medical equipment or product (other than a pharmaceutical product) that has therapeutic or diagnostic value, and is regulated by the FDA
- *Mobile Communications Technology* – technology involving the functionality and reliability of transmission of voice and multimedia data using a communication infrastructure via a computer or mobile device
- *Renewable Energy Technology* – technology involving the generation of electricity from solar, wind, wave, geothermal energy, the combustion of gas at a biomass generating facility, the combustion of methane gas captured from a landfill, and a fuel cell powered by methanol, ethanol, landfill gas, digester gas, biomass gas, or other renewable fuel but not powered by a fossil fuel

State Comparison

Program criteria	New Jersey	Neighboring States
Max tax credit per investment	\$500K	\$150K-\$300K
Annual funding commitment	\$25 million	\$0-\$3M
Refundable?	Yes	No
Business eligibility- # of employees	<225	<25 - <100
Credit to be taken at time of investment prior to any recognized capital gains?	Yes - refundable credit allowed at time of investment	No - credit can only be used at time of exit to offset capital gains

Application and Approval Process

- Online application – two portions for completion
 - Investor
 - Technology Company
- Once Investor and Business complete their portions of application, the Investor pays the application fee and submits application
- Submitted applications are received by the Venture Officer who then verifies the application for completeness
- Application is presented and reviewed for approval
- Investor is contacted regarding approval decision – investments greater than \$50,000 will require an approval fee
- Once approval fee is received, notice is sent to NJ Division of Taxation to issue a physical tax credit certificate

Approval Process and Beyond

- Tax Credits are issued for the year in which the application is approved
- Tax Credits must be claimed for the year in which they are approved
- For corporate taxpayers, tax credits may be carried forward for 15 years
- Individuals cannot carry forward tax credits
- Tax credits cannot be sold or transferred to another party
- Credits may be treated as overpayment and refunded
- The NJ-1040 Tax Return Form does not provide a line to take the Angel Investor Tax Credit. In order to obtain this credit you must first file your New Jersey Tax Return, then send in your NJ-1040 return along with the original State of New Jersey Angel Investor Tax Credit Program Certificate

Application and Approval fees

- For investments of \$50,000 or less, a non-refundable Application Fee of \$500 will be required
 - No approval fee required
- For investments of more than \$50,000, a non-refundable Application Fee of \$1,000 will be required
 - In addition, an Approval Fee of five percent (5%) of the approved tax credit amount or \$2,500, whichever is greater, will be charged upon the approval of the tax credit. The Application Fee of \$1,000 applies towards the Approval Fee

For example, a qualified investment of \$100,000 receiving a tax credit in the amount of \$10,000 would pay an Application Fee of \$1,000 and an Approval Fee of \$1,500

2013-2014 Approvals

<u>Company</u>	<u>Investment</u>	<u>Tax Credit</u>
Agile Therapeutics	\$ 5,021,866	\$ 502,187
Ascendia Pharmaceuticals LLC	\$ 999,300	\$ 99,930
Aucta Pharmaceuticals, LLC	\$ 140,000	\$ 14,000
Avlino	\$ 1,500,000	\$ 150,000
Bat Blue	\$ 650,000	\$ 65,000
Bergen Medical	\$ 427,500	\$ 42,750
Edge Therapeutics	\$ 9,835,582	\$ 983,558
electroCore LLC	\$ 11,080,000	\$ 1,108,000
Endomedix	\$ 250,000	\$ 25,000
EOS Energy Storage	\$ 6,925,000	\$ 692,500
Innovaci Inc.	\$ 1,775,000	\$ 177,500
Kiswe Mobile	\$ 5,540,005	\$ 554,001
Midawi Holdings	\$ 1,466,656	\$ 146,666
Noveda Technologies	\$ 1,994,296	\$ 199,430
One On One Ads, Inc	\$ 1,250,000	\$ 125,000
PrazAs Learning	\$ 300,000	\$ 30,000
Princeton Infrared Technologies	\$ 100,000	\$ 10,000
Princeton Power Systems	\$ 7,560,500	\$ 756,050
Svelte Medical Systems	\$ 4,837,576	\$ 483,758
United Silicon Carbide	\$ 5,750,001	\$ 575,000
VectraCor, Inc.	\$ 3,144,480	\$ 314,448
Zipz, Inc.	\$ 3,164,718	\$ 316,472
Simphotek	\$ 600,000	\$ 60,000
Total	\$ 74,312,480	\$ 7,431,248

Contact Info

Customer Care

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THANK YOU!