



Technology Business Tax Certificate Transfer Program (NOL)



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new jersey

Highly educated, perfectly located.



Agenda

- Program Overview
- Eligibility
- Business Definitions
- Protected Proprietary Intellectual Property
- Financials
- Employees
- Award
- Recapture

Program Overview: Technology Business Tax Certificate Transfer (NOL) Program

- Enables approved Biotechnology and Technology Businesses with Net Operating Losses to **sell** their Unused Net Operating Loss Carryover (NOL) and Unused Research and Development Tax Credits (R&D Tax Credits).
- Turn unused tax losses and credits into **cash**.
- New Jersey Economic Development Authority (NJEDA) determines **eligibility**.
- New Jersey Division of Taxation determines the tax benefit **value**. (NOL and R&D Tax Credits).

Eligibility

Applicant Company must meet the following:

1. Definition of Biotechnology or Technology Business.
2. Own or exclusively control Protected Proprietary Intellectual Property (PPIP).
3. No Net Operating Income for past 2 full years (also applies to any entity owning/controlling, directly or indirectly, 50% or more).
4. Less than the maximum US and more than the minimum NJ amount of Full-Time Employees.
5. Must offer health benefits under a group health plan to Full-Time Employees.

Biotechnology Business

- An emerging corporation that has its **headquarters or base of operations** in this State;
- that owns, has filed for, or has a valid License to use **Protected Proprietary Intellectual Property**;
- and that is engaged in the research, development, production, or provision of **Biotechnology** for the purpose of developing or providing products or processes for specific commercial or public purposes, including but not limited to, medical, pharmaceutical, nutritional, and other health-related purposes, agricultural purposes, and environmental purposes.

Biotechnology – The continually expanding body of fundamental knowledge about the function of biological systems from the macro level to the molecular and sub-atomic levels, as well as novel products, services, technologies and sub-technologies developed as a result of insights gained from research advances which add to the body of fundamental knowledge.

Technology Business

- An emerging corporation that has a **headquarters or base of operations** located in New Jersey,
- That owns, has filed for, or has an exclusive License to use **Protected Proprietary Intellectual Property** whose **primary business** is the provision of a **scientific** process, product, or service and that employs some combination of the following:
 - Highly educated and/or trained managers and workers employed in New Jersey
 - Who use **sophisticated** scientific research service or production equipment, processes or knowledge to discover, develop, test, transfer or manufacture a product or service.

Protected Proprietary Intellectual Property (PPIP)

- **Patents or patent applications** (Assigned to Applicant) or in the applicant's name.
- **Exclusive license agreement** (Patent owner to Applicant granting control of all aspects of the patent to commercialize technology).
- **Copyright Registration** (US Library of Congress).
- Applicant must demonstrate **both**:
 - How the PPIP is the Applicant's primary business
 - How the PPIP enables the Applicant to meet the Biotechnology Business or Technology Business definition.
- **NOT PPIP:**
 - Trade Secrets, Trademarks, Unregistered Copyright, Exclusive Distribution, Sales, and/or Service Agreements, Licensed Software such as Microsoft Windows or Oracle

Financial Statement Requirements

Applicant, or any entity owning/controlling, directly or indirectly, 50% or more, must **NOT** have **Positive** Net Operating Income in any of the **TWO** most recent full years of ongoing operations, as determined on its financial statements.

- **Two most recent years** of financial statements or annual reports (with footnotes) prepared in accordance with **US GAAP** by an **independent Certified Public Accountant (CPA)** .
- Form 10K is acceptable for **publicly held** Applicants
- **Subsidiary, Parent, Affiliated** companies must include the two most recent financial statements which prepared in accordance with **US GAAP** by an **independent CPA**.
- Consolidating financial statements acceptable.
Consolidated financial statements **NOT** acceptable.

Employment Eligibility

- Total U.S. employment cannot exceed **224** Full Time employees, including employees of all affiliates, parents, and subsidiaries.

Incorporated/ Formed	Minimum Number NJ Full-Time Employees (Application & Benefit Sale Date)
Less than 3 years (as of 6/30)	1
More than 3 years, but less than 5 years (as of 6/30)	5
More than 5 years (as of 6/30)	10

Employment Eligibility

- Full-Time Employees considered from the **earliest incorporation or formation date of the applicant or its earliest predecessor entity**, irrespective of the corporate structure or tax status of the entity at time of formation/incorporation.
- A “Full-Time Employee”
 - Employed by Applicant or Leased from PEO **for at least 35 hours a week**.
 - Wages are subject to **withholding tax** in New Jersey.
 - Must spend at least **80%** of their time working in New Jersey.
- Employee must be **offered health benefits under a group health plan**.
- A Full-Time Employee cannot be:
 - An independent contractor, a consultant, an intern, a temporary employee, or be in a temporary position
 - Exempt from withholding tax under the New Jersey Gross Income Tax Act, such as Pennsylvania residents, who are exempt pursuant to a Reciprocal Income Tax Agreement between New Jersey and Pennsylvania.

Annual Award & Allocation

Innovation Zones	\$10,000,000
General Pool	\$50,000,000
Total Annual Allocation	\$60,000,000

- Innovation Zone (IZ) businesses in Camden, Newark & Greater New Brunswick Area
- Unused IZ benefits roll over to the General Pool
- Applicant may receive a maximum lifetime value of \$15,000,000 in Tax Benefit
- 2014 Program Highlights
 - 44 companies (35 Bio) received \$54M Benefits (Average award \$1.2M)

Tax Benefit Award Calculation Example

Net Operating Loss (NOL)	\$3,000,000
(X) Allocation Factor	X 80%
<u>(X) NJ Corporate Business Tax Rate</u>	<u>X 9%</u>
Tax Benefit Available for Sale	\$216,000
Minimum Sale Price: 80%	\$172,800

Recapture Of Tax Benefits

In the event an Applicant Business **fails to maintain** a headquarters or base of operation in New Jersey.

Move Out of State Within	Recapture Percentage
1 Year of Sale	100%
2 Years of Sale	80%
3 Years of Sale	60%
4 Years of Sale	40%
5 Years of Sale	20%

Exception: **Liquidation** of Applicant Company

Estimated Timetable

Application Available	4/30/2015
Application Deadline	6/30/2015
Application Decision	8/11/2015
Benefit Approval	11/30/2015
Sale Deadline	4/15/2016

Thank You

Application Fee: \$2,500
(Non- Refundable)

PLEASE NOTE:

1. The application is now a fully online application. No paper applications or payments will be accepted.
2. Application deadline is on June 30th at 11:59 PM. Applications may not be submitted after this time.
3. Additional Program Details, Frequently Asked Questions, & Online Application available at www.njeda.com/NOL